

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Flushing	County Genesee
Audit Date June 30, 2004	Opinion Date August 20, 2004	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

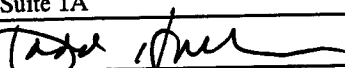
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1-968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 1 00% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 E. Court Street, Suite 1A	City Flint	State MI	ZIP 48502
Accountant Signature 		Tadd A. Harburn, CPA	

City of Flushing

Genesee County, Michigan

**Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2004**

City of Flushing
Genesee County, Michigan
Comprehensive
Annual Financial Report

For the Fiscal Year Ended June 30, 2004

Prepared by:
City Clerk/Treasurer's Office

**City of Flushing, Michigan
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2004**

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Introduction Section

City of Flushing

309 E. MAIN STREET
FLUSHING, MICHIGAN 48433
PHONE (810) 659-5665
FAX (810) 659-0569

November 10, 2004

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Flushing:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Flushing for the fiscal year ended June 30, 2004.

This report consists of management's representations concerning the finances of the City of Flushing. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Flushing has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Flushing's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Flushing's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Flushing's financial statements have been audited by BKR Dupuis & Ryden, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Flushing for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Flushing's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Flushing's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Flushing, incorporated in 1964, is located in the central part of the state. The City of Flushing currently occupies a land area of 4 square miles and serves a population of 8,348. The City of Flushing is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City of Flushing has operated under the council-manager form of government since 1964. Policy-making and legislative authority are vested in a government council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the government's manager and attorney. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with four council members elected every two years. The mayor is elected to serve a two-year term. Four of the council members are elected by district. The mayor and the one remaining council member are elected at large.

The City of Flushing provides a full range of services, including police and fire protection; construction and maintenance of streets, sanitation, water and sewer utilities, cemetery, assessing, building inspection and code enforcement.

The City also participates with the Charter Township of Flushing in providing services such as: Flushing Fire Commission, Flushing Parks and Recreation Commission, Senior Citizen Activity Center and the Flushing District Library.

The annual budget serves as the foundation for the City of Flushing's financial planning and control. Each officer, department and board of the City of Flushing is required to submit an itemized estimate of its expected income and expenditures during the next fiscal year for the department or activities under its control on or before the first day of February each year. The government's manager uses these requests as the starting point for developing a proposed budget. The government's manager then presents this proposed budget to the council for review prior to its first regular April meeting. The council is required to hold public hearings on the proposed budget to adopt a final budget by no later than the third Monday of May. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, the major street fund, and the local street fund this comparison is presented on page 58 as required supplementary information. For other funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 63.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Flushing operates.

Local economy

Many of Flushing's residents work in Flint or other communities in the Flint metropolitan area. Thus the future of Flushing is influenced by the future of Genesee County. Genesee County's unemployment rate went up in 2002 to 8.8%. Unemployment rates increased in durable manufacturing and in the wholesale sectors of the economy, while employment rates increased slightly in business and health, construction, government, transportation and non-durable manufacturing.

Automobile and truck related production makes up the largest share of manufacturing employment in Genesee County. Employment at General Motors, SPO, and Delphi facilities decreased significantly in recent years. Delphi's plans to downsize could have a devastating effect on Genesee County. It will be the job of leaders from the public and private sector to work closely with Delphi to explore new product lines and new opportunities.

Long-term financial planning

The budget adopted by the Flushing City Council for fiscal year 2005 reflects actions taken by the state to reduce state shared revenue coming to the City. As the state continues to predict a state budget deficit, more adjustments may be necessary in the future. The City maintains an adequate fund balance that offers a defense against a sluggish economy.

Cash management policies and practices

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, and mutual funds comprised of the above authorized investments. The City Council has adopted the above as its investment policy. The City Council has authorized Bank One, Citizens Bank, Fifth Third, Prudential Bache, Paine Weber and Republic Bank as the City's depositories.

Cash temporarily idle during the year was invested in repurchase agreements, savings and money market accounts. The average yield on investments was 2.5 percent.

Risk management

The City of Flushing obtains risk management service from Michigan Consolidated Risk Management, an entity of the Michigan Municipal League. All risk of loss from property and liability is covered through this pool. Worker's compensation and unemployment compensation are also maintained through League pools.

Pension and other postemployment benefits

The City of Flushing contributes to the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City of Flushing must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City of Flushing fully funds each year's annual required contribution to the pension plan as determined by the actuary. The City of Flushing's unfunded actuarial accrued liability is being amortized as a level percentage of payroll contributions over an open period of 30 years.

The City of Flushing also provides postretirement health and dental care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 25 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City of Flushing's pension arrangements and post-employment benefits can be found in Note V in the notes to the financial statements.

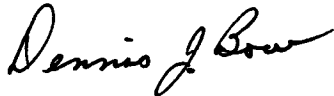
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Flushing for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2003. This was the eleventh consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

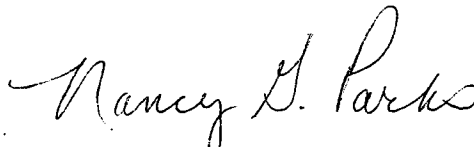
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been accomplished without the dedication and cooperation of department heads and staff. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Flushing's finances.

Respectfully submitted,



Dennis J. Bow
City Manager



Nancy G. Parks
City Clerk/Treasurer

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graph TD
    Residents[Residents] --- Mayor[Mayor/City Council]
    Mayor --- SALT[**S.A.L.T. Committee]
    Mayor --- Zoning[Zoning Board of Appeals]
    Mayor --- Planning[Planning Commission]
    Mayor --- Flushing[Flushing Area Recreation Planning Committee]
    Mayor --- Parks[*Parks and Recreation Committee]
    Mayor --- Youth[Youth Council]
    Mayor --- CityManager[City Manager]
    Mayor --- CityAttorney[City Attorney]
    CityManager --- Fire[Fire]
    CityManager --- Police[Police]
    CityManager --- PublicWorks[Public Works]
    CityManager --- Finance[Finance]
    CityManager --- Assessing[Assessing]
    CityManager --- BuildingInspector[Building Inspector]
    PublicWorks --- Equipment[Equipment]
    PublicWorks --- Buildings[Buildings]
    PublicWorks --- Parks[Parks]
    PublicWorks --- Streets[Streets]
    PublicWorks --- SolidWaste[Solid Waste]
    PublicWorks --- Cemetery[Cemetery]
    PublicWorks --- Water[Water]
    PublicWorks --- WasteWater[Waste Water]
  
```

The organizational chart for the City of Flushing, Michigan, is structured as follows:

- Residents** are at the top level, connected to the **Mayor/City Council**.
- The **Mayor/City Council** oversees several committees and boards:
 - **S.A.L.T. Committee**
 - Zoning Board of Appeals**
 - Planning Commission**
 - Flushing Area Recreation Planning Committee**
 - *Parks and Recreation Committee**
 - Youth Council**
- The **Mayor/City Council** also oversees the **City Manager** and the **City Attorney**.
- The **City Manager** oversees the following departments:
 - Fire**
 - Police**
 - Public Works**
 - Finance**
 - Assessing**
 - Building Inspector**
- The **Public Works** department further oversees:
 - Equipment**
 - Buildings**
 - Parks**
 - Streets**
 - Solid Waste**
 - Cemetery**
 - Water**
 - Waste Water**

Under its City Charter, Flushing operates under a Council-Manager plan of government. In this system, the Mayor and City Council is composed of seven members elected at large in non-partisan elections. From amongst its membership, the Council chooses a Mayor Pro-Tem serving a two-year term.

The City Manager is appointed by and is directly responsible to the City Council. He/she serves at the pleasure of the Council and is chosen solely on the basis of his/her executive ability and experience in municipal affairs. As the administrative head of the City, the Manager carries out the policies that are made by the City Council, and directs and coordinates the work of the City departments.

The organization chart on this page indicates how the City government is organized to meet the many requirements of its citizens.

* This committee works in conjunction with and at the direction of the Director of Public Works.

**** This committee works in conjunction with and at the direction of the Chief of Police.**

**City of Flushing, Michigan
List of Elected and Appointed Officials**

City Council

Janice L. Gensel
Michael T. Szukhent
Richard L. Bade
John C. Gault
Jay E. Johnson
Raymond Peck
Teresa K. Salem

Mayor
Mayor Pro-Team
Councilperson
Councilperson
Councilperson
Councilperson
Councilperson

Other City Officers and Officials

Dennis Bow
Nancy Parks
Bryan Sutton
Janet Walling
Fay Peek, III
Ronald Downing

City Manager
City Clerk/Treasurer
DPW Director
City Assessor
Police Chief
Fire Chief

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Flushing,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Financial Section

Independent Auditors' Report

Honorable Mayor and Members
of the City Council
City of Flushing
Flushing, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flushing, Michigan (City) as of June 30, 2004, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flushing, Michigan at June 30, 2004, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America

The management's discussion and analysis on pages 10 through 18 and the information in the required supplementary information section on pages 57 through 62 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flushing's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

August 20, 2004

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Flushing, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 4 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$23,156,322 (net assets). Of this amount, \$1,442,368 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$105,609 during the year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,915,617, an increase of \$1,018,950 in comparison with the prior year. Approximately 78% of this total amount, or \$2,260,388, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,449,541, or 43 percent of total general fund expenditures.
- The City's total installment debt increased by \$1,178,000 during the current fiscal year. The City entered into an installment agreement for the construction of the new City Hall/Police Station in the amount of \$1,100,000 and a land contract in the amount of \$115,000 for the purchase of property for the walkable trail and investment in real estate.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and highways and streets. The business-type activities of the City include water and sewer operations as well as the building department.

The government-wide financial statements can be found on pages 19 through 22 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street, local street, and capital improvement fund, each of which are considered to be major funds. The City's nonmajor governmental funds are: COPS Grant, Narcotics Fund, Cemetery Fund, Debt Service Fund, Fire Department Reserve Fund, and the Community Development Fund.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 23 through 30 of this report.

Proprietary funds. The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sanitary sewer and water distribution operations, as well as the building department. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its vehicle and equipment maintenance activities. Because this service predominantly benefits governmental rather than business-type functions, the assets and liabilities of the internal service fund have been included within governmental activities in the government-wide statement of net assets.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, as well as the building department. The sewer and water funds are considered to be major funds of the City, whereas the building department is a nonmajor fund.

The basic proprietary fund financial statements can be found on pages 31 through 36 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The two City agency funds are classified as fiduciary funds. The Tax Collection fund is used to account for tax collections by the City of Flushing on behalf of other governments. The General Trust fund is used to account for monies received from contractors doing work with the City to ensure the work is completed. Agency funds are unlike other types of funds and report only assets and liabilities. Therefore, they do not have a measurement focus, but do, however, use the accrual basis of accounting to recognize receivables and payables.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-56 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Flushing, assets exceeded liabilities by \$23,156,322 at the close of the most recent fiscal year.

[Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.]

City of Flushing's Net Assets June 30, 2004

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 3,271,367	\$ 336,386	\$ 3,607,753
Capital assets, net	15,719,583	7,981,442	23,701,025
Total assets	18,990,950	8,317,828	27,308,778
Long-term liabilities outstanding	1,447,176	2,220,000	3,667,176
Other liabilities	353,143	132,137	485,280
Total liabilities	1,800,319	2,352,137	4,152,456
Net assets:			
Invested in capital assets, net of related debt	14,511,583	5,761,442	20,273,025
Restricted	1,361,929	79,000	1,440,929
Unrestricted	1,317,119	125,249	1,442,368
Total net assets	\$17,190,631	\$5,965,691	\$23,156,322

By far the largest portion of the City's net assets (88 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (6 percent or \$1,442,368) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets decreased by \$105,609 during the current fiscal year; a large percent of this decrease is related to claims payable by the City for the lawsuit, *Warda -v- City of Flushing*.

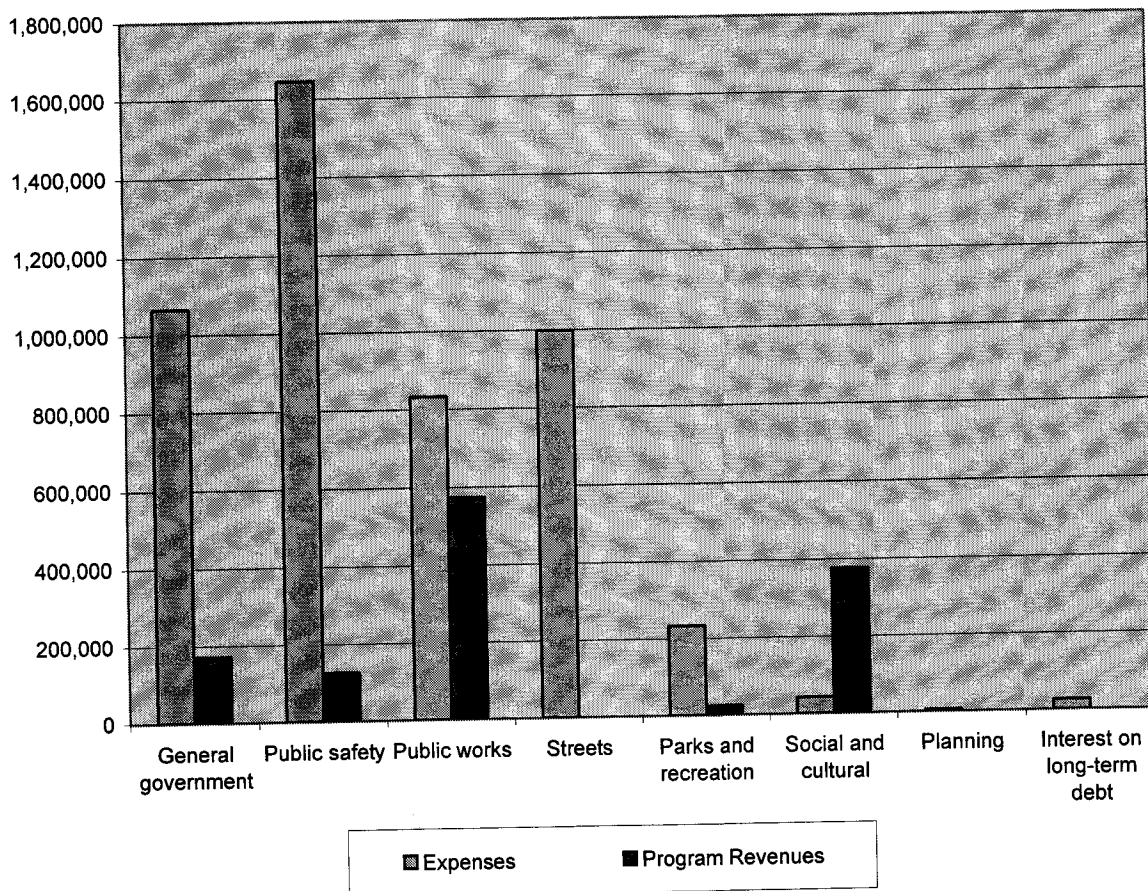
**City of Flushing's Changes in Net Assets
For the Year Ended June 30, 2004**

	Governmental Activities	Business-type Activities	Total
Revenue:			
Program revenue:			
Charges for services	\$ 851,739	\$ 1,959,694	\$2,811,433
Operating grants and contributions	43,928	-	43,928
Capital grants and contributions	376,351	42,020	418,371
General revenue:			
Property taxes	2,060,167	-	2,060,167
Grants and contributions not restricted to specific programs	1,379,856	-	1,379,856
Unrestricted earnings	251,700	1,187	252,887
Total revenue	<u>4,963,741</u>	<u>2,002,901</u>	<u>6,966,642</u>
Expenses:			
General government	1,066,649	-	1,066,649
Public safety	1,646,041	-	1,646,041
Public works	832,442	-	832,442
Streets	999,174	-	999,174
Parks and recreation	233,490	-	233,490
Social and cultural	42,814	-	42,814
Planning	4,406	-	4,406
Interest on long-term debt	26,383	-	26,383
Water	-	1,136,479	1,136,479
Building department	-	56,751	56,751
Sewer	-	1,027,622	1,027,622
Total expenses	<u>4,851,399</u>	<u>2,220,852</u>	<u>7,072,251</u>
Change in net assets	112,342	(217,951)	(105,609)
Net assets, beginning of year, as restated	<u>17,078,289</u>	<u>6,183,642</u>	<u>23,261,931</u>
Net assets, end of year	<u>\$17,190,631</u>	<u>\$ 5,965,691</u>	<u>\$23,156,322</u>

Revenues by Source - Governmental activities. Governmental activities increased the City's net assets by \$112,342. Key elements of this increase are as follows:

- Property taxes for operations increased by approximately \$30,000 (2.2 percent) during the year. Most of this increase was the product of increased taxable values. Property tax revenue for capital improvements decreased as a result of Council reducing the millage by .5 mills.
- Intergovernmental revenue, primarily comprised of state shared revenues, decreased by approximately \$68,000 (8 percent) during the year.
- In anticipation of a drop in the economy, cost cutting measures were put into effect mid-year, which resulted in a \$90,000 reduction to the original budget.
- Other income increased substantially due to a donation to the City of \$376,350 for the construction and maintenance of a City clock.

Expenses and Program Revenues - Governmental Activities

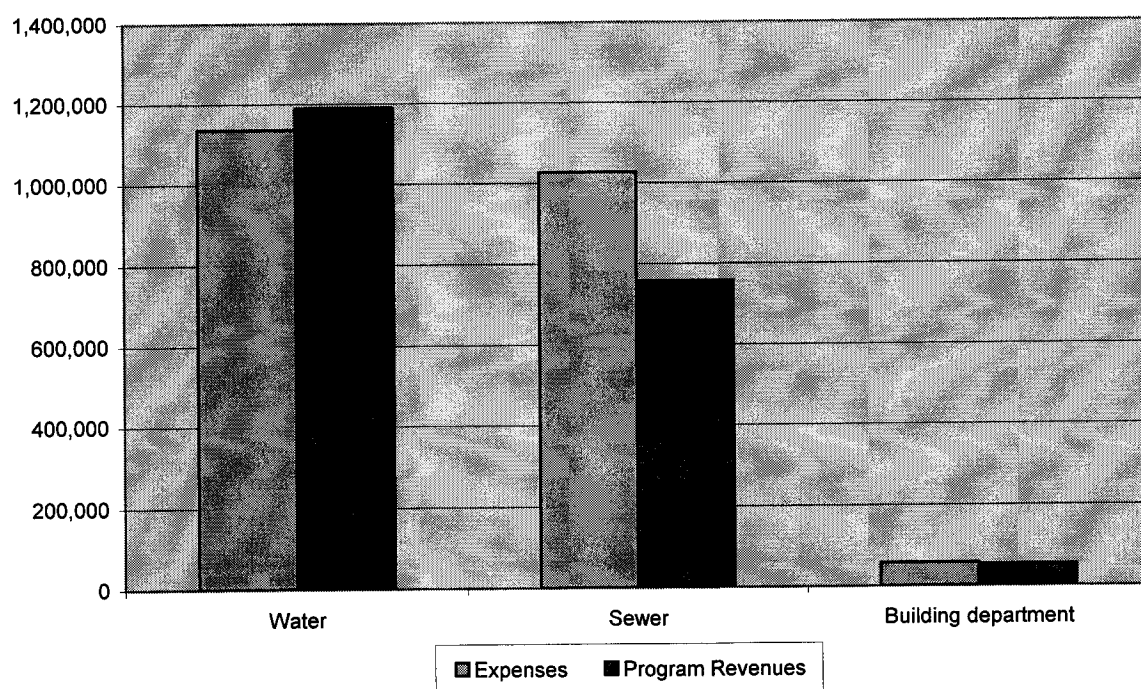


Revenues by Source – Business-type Activities

Business-type activities. Business-type activities decreased the City's net assets by \$(217,951) accounting for an overall decrease in the government's net assets for the current year. Key elements of this decrease are as follows:

- The Sewer fund rates had not been increased in ten years, resulting in expenses exceeding revenues by \$268,258. Rates have been increased by City Council effective August 1, 2004.
- Expenses increased 15%, or approximately \$147,000 in the Water Fund, primarily because of increased water costs from Genesee County.
- Water rates have also been increased and resulted in a net operating income of approximately \$92,000.

Expenses and Program Revenues - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,915,617, an increase of \$1,018,950 in comparison with the prior year. Approximately 78 percent of this total amount (\$2,260,388) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for other restricted purposes (\$655,229).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,449,541, while total fund balance was \$1,930,487. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 43 percent of total general fund expenditures.

The fund balance of the City's general fund increased by \$478,478 during the current fiscal year. City management prudently maintained a minimal level of spending anticipating the reduction in economic growth the region is now experiencing.

The major street fund has a total fund balance of \$148,504, an increase of \$61,444 during the year. The City is accumulating funds in the major street fund to undertake the repaving of Coutant Street in the 2006 fiscal year.

The local street fund had an increase in fund balance for the current year of \$66,649 for an ending total of \$88,172. Substantially all of the remaining fund balance is planned for use in maintaining local streets.

The capital improvements fund has a total fund balance of \$502,655, which will be used to complete the new City Hall/Police Station and continue the street paving project.

The nonmajor funds have a total fund balance of \$245,799, of which \$71,516 is unreserved.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets (deficit) of the building department, sewer and water enterprise funds at the end of the year amounted to \$1,028, \$215,669 and \$(91,448), respectively. The building department fund had a decrease of \$3,541, the sewer fund had a decrease of \$268,258 in net assets for the year, whereas the water fund had an increase of \$53,848. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The difference between the original and final amended budgets for expenditures was a decrease of \$91,800. Decreases were mainly in general government departments as follows: \$10,000 in the city manager's budget; a \$10,000 reduction in the city attorney's budget; and a \$24,000 reduction in general administration's budget. The most significant increase in revenues related to the \$376,000 donation to the City.

Budget to actual comparisons for the City's special revenue funds were generally favorable as well.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounted to \$23,701,025 (net of accumulated depreciation). This investment in capital assets includes land, rights-of-ways, construction in progress, buildings and systems, improvements, machinery and equipment, and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was \$353,808, a \$735,389 increase for governmental activities and a decrease of \$381,581 for business-type activities.

Major capital asset events during the current fiscal year included the following:

- A street construction project at a cost of approximately \$450,000.
- Commencement of construction on a new City Hall/Police Station at a cost of \$810,949.

City of Flushing's Capital Assets
(net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 959,976	\$ 18,790	\$ 978,766
Rights-of-Ways	4,946,186	-	4,946,186
Construction in Progress	810,949	-	810,949
Buildings	513,325	4,582,850	5,096,175
Improvements other than buildings	216,193	3,369,313	3,585,506
Machinery and equipment	445,962	10,489	456,451
Infrastructure	7,826,992	-	7,826,992
Total	<u>\$15,719,583</u>	<u>\$7,981,442</u>	<u>\$23,701,025</u>

Additional information on the City's capital assets can be found in note IV.C. on pages 47 and 48 of this report.

Long-term debt. At the end of the current fiscal year, the City had total installment debt outstanding of \$3,428,000. The City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), and installment purchase contracts.

City of Flushing's Outstanding Debt

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 30,000	\$ 745,000	\$ 775,000
Notes payable	1,178,000	-	1,178,000
Revenue bonds	-	1,475,000	1,475,000
Accumulated Annual and Sick Pay	239,176	-	239,176
Total	<u>\$1,447,176</u>	<u>\$2,220,000</u>	<u>\$3,667,176</u>

The City's installment debt increased by \$1,178,000 during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$23,553,333, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in note IV.E on pages 50 through 52 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2004-05 fiscal year:

- Projections of commercial, industrial, tourism and residential growth potential;
- Economic indicators for the region and local development projects currently proposed and or underway;
- Growth and development trends as a result of the 2000 Census;
- Projected staff and capital improvements projects by the City;
- Available taxing, bonding and grant resources.

During the current fiscal year, unreserved fund balance in the general fund increased to \$1,449,541. The City has appropriated approximately \$900,000 of this amount for spending in the 2004-05 fiscal year budget. Such appropriations are intended to finance various capital improvements, including \$500,000 for City Hall/Police Station construction. Other anticipated capital expenditures will be \$400,000 for the completion of the walkable trailway.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager or City Clerk/Treasurer.

Basic Financial Statements

**Government-wide
Financial Statements**

City of Flushing
Statement of Net Assets
June 30, 2004

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,401,621	\$ 139,445	\$ 2,541,066
Investments	163,560	-	163,560
Receivables:			
Accounts	54,804	420,064	474,868
Due from other governments	332,108	-	332,108
Internal balances	314,679	(314,679)	-
Inventories	-	12,556	12,556
Prepaid items	4,595	-	4,595
Restricted investments	-	79,000	79,000
Capital assets (net of accumulated depreciation)	15,719,583	7,981,442	23,701,025
Total assets	<u>\$ 18,990,950</u>	<u>\$ 8,317,828</u>	<u>\$ 27,308,778</u>

See notes to financial statements.

City of Flushing
Statement of Net Assets
June 30, 2004

Primary Government			
	Governmental Activities	Business-Type Activities	Total
Liabilities and Net Assets			
Liabilities:			
Accounts payable	\$ 148,540	\$ 121,067	\$ 269,607
Accrued liabilities	202,235	11,070	213,305
Due to other governments	368	-	368
Deposits	2,000	-	2,000
Noncurrent liabilities:			
Due within one year	84,000	225,000	309,000
Due in more than one year	1,363,176	1,995,000	3,358,176
Total liabilities	1,800,319	2,352,137	4,152,456
Net assets:			
Invested in capital assets, net of related debt	14,511,583	5,761,442	20,273,025
Restricted for:			
Debt service	1,007	44,000	45,007
Capital asset replacement	-	35,000	35,000
Streets	236,676	-	236,676
Community Development	376,799	-	376,799
Capital projects	573,164	-	573,164
Cemetery	174,283	-	174,283
Unrestricted	1,317,119	125,249	1,442,368
Total net assets	17,190,631	5,965,691	23,156,322
Total liabilities and net assets	\$ 18,990,950	\$ 8,317,828	\$ 27,308,778

See notes to financial statements.

City of Flushing
Statement of Activities
For the Year Ended June 30, 2004

	Program Revenues			
Functions\Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,066,649	\$ 172,744	\$ -	\$ -
Public safety	1,646,041	81,570	43,928	-
Public works	832,442	573,521	-	-
Streets	999,174	-	-	-
Parks and recreation	233,490	23,904	-	-
Social and cultural	42,814	-	-	376,351
Planning	4,406	-	-	-
Interest on long-term debt	26,383	-	-	-
Total governmental activities	4,851,399	851,739	43,928	376,351
Business-type activities				
Water	1,136,479	1,189,753	-	-
Sewer	1,027,622	716,731	-	42,020
Building department	56,751	53,210	-	-
Total business-type activities	2,220,852	1,959,694	-	42,020
Total primary government	\$ 7,072,251	\$ 2,811,433	\$ 43,928	\$ 418,371
General revenues:				
Property taxes				
Unrestricted grants and contributions				
Unrestricted earnings				
Total general revenues				
Change in net assets				
Net assets - beginning of year, as restated				
Net assets - end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (893,905)	\$ -	\$ (893,905)
(1,520,543)	-	(1,520,543)
(258,921)	-	(258,921)
(999,174)	-	(999,174)
(209,586)	-	(209,586)
333,537	-	333,537
(4,406)	-	(4,406)
(26,383)	-	(26,383)
(3,579,381)	-	(3,579,381)
-	53,274	53,274
-	(268,871)	(268,871)
-	(3,541)	(3,541)
-	(219,138)	(219,138)
(3,579,381)	(219,138)	(3,798,519)
2,060,167	-	2,060,167
1,379,856	-	1,379,856
251,700	1,187	252,887
3,691,723	1,187	3,692,910
112,342	(217,951)	(105,609)
17,078,289	6,183,642	23,261,931
\$ 17,190,631	\$ 5,965,691	\$ 23,156,322

Fund Financial Statements

**City of Flushing
Balance Sheet
Governmental Funds
June 30, 2004
With Comparative Totals for June 30, 2003**

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
Assets			
Cash and cash equivalents	\$ 1,372,585	\$ 119,962	\$ 77,582
Investments	-	-	-
Accounts receivable	41,643	-	-
Due from other governmental units	275,335	31,933	12,295
Due from other funds	232,664	-	-
Prepaid items	4,595	-	-
Advance to other funds	100,000	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 2,026,822</u>	<u>\$ 151,895</u>	<u>\$ 89,877</u>

See notes to financial statements.

Capital Improvement	Other Governmental Funds	Totals	
		2004	2003
\$ 604,936	\$ 84,239	\$ 2,259,304	\$ 1,009,512
-	163,560	163,560	409,988
-	-	41,643	45,150
-	12,545	332,108	323,956
3,698	-	236,362	106,571
-	-	4,595	4,726
-	-	100,000	100,000
\$ 608,634	\$ 260,344	\$ 3,137,572	\$ 1,999,903

(continued)

City of Flushing
Balance Sheet
Governmental Funds - (Continued)
June 30, 2004
With Comparative Totals for June 30, 2003

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
Liabilities			
Accounts payable	\$ 37,982	\$ 644	\$ -
Accrued and other liabilities	43,564	1,537	799
Deposits	-	-	-
Due to other governmental units	368	-	-
Due to other funds	14,421	1,210	906
	<hr/>	<hr/>	<hr/>
Total liabilities	96,335	3,391	1,705
	<hr/>	<hr/>	<hr/>
Fund Balances			
Fund balances:			
Reserved for advance to other funds	100,000	-	-
Reserved for prepaid items	4,595	-	-
Reserved for community development	376,351	-	-
Reserved for cemetery	-	-	-
Unreserved:			
Designated	900,000	-	-
Unreserved, reported in:			
General fund	549,541	-	-
Special revenue funds	-	148,504	88,172
Debt service fund	-	-	-
Capital projects funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	1,930,487	148,504	88,172
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 2,026,822	\$ 151,895	\$ 89,877
	<hr/>	<hr/>	<hr/>

See notes to financial statements.

Capital Improvements	Other Governmental Funds	Totals	
		2004	2003
\$ 105,979	\$ -	\$ 144,605	\$ 40,468
-	760	46,660	46,379
-	2,000	2,000	2,000
-	-	368	355
-	11,785	28,322	14,034
105,979	14,545	221,955	103,236
-	-	100,000	100,000
-	-	4,595	4,726
-	-	376,351	-
-	174,283	174,283	166,300
-	-	900,000	-
-	-	549,541	1,347,283
-	-	236,676	110,209
-	1,007	1,007	8,562
502,655	70,509	573,164	159,587
502,655	245,799	2,915,617	1,896,667
\$ 608,634	\$ 260,344	\$ 3,137,572	\$ 1,999,903

City of Flushing
Reconciliation of Fund Balances as Reported in the Governmental
Balance Sheet to the Statement of Net Assets
June 30, 2004

Fund balances of governmental funds	\$ 2,915,617
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities (exclusive of internal service funds) are not financial resources and, therefore, are not reported in the funds.	15,430,757
Internal service funds are used by management to charge the costs of fleet management to individual funds. These assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	445,726
Long-term liabilities, including bond and contract payables, are not due and payable in the current period and therefore are not reported in the funds.	(1,601,469)
	<hr/>
Net assets of governmental activities	<u><u>\$ 17,190,631</u></u>

See notes to financial statements.

City of Flushing
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2004
With Comparative Totals for June 30, 2003

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
Revenues:			
Taxes	\$ 1,429,178	\$ -	\$ -
Licenses and permits	2,261	-	-
Intergovernmental:			
Federal	-	-	-
State	774,222	400,492	161,213
Charges for services	874,908	-	-
Fines and fees	18,499	-	-
Administrative services	110,000	-	-
Interest and other	506,775	2,461	262
	<hr/>	<hr/>	<hr/>
Total revenues	3,715,843	402,953	161,475
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
General government	968,804	-	-
Public safety	1,313,380	-	-
Public works and streets	731,753	281,009	154,326
Recreation	298,305	-	-
Social and cultural	28,823	-	-
Planning	4,406	-	-
Other	-	500	500
Capital outlay	-	-	-
Debt service:			
Principal payments	-	-	-
Interest and paying agent fees	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	3,345,471	281,509	154,826
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	370,372	121,444	6,649
	<hr/>	<hr/>	<hr/>
Other financing sources (uses):			
Loan proceeds	115,000	-	-
Operating transfers in	1,626	-	60,000
Operating transfers out	(8,520)	(60,000)	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	108,106	(60,000)	60,000
	<hr/>	<hr/>	<hr/>
Net change in fund balance	478,478	61,444	66,649
	<hr/>	<hr/>	<hr/>
Fund balance - beginning of year	1,452,009	87,060	21,523
	<hr/>	<hr/>	<hr/>
Fund balance - end of year	<u>\$ 1,930,487</u>	<u>\$ 148,504</u>	<u>\$ 88,172</u>

See notes to financial statements.

Capital Improvements	Other Governmental Funds	Totals	
		2004	2003
\$ 627,840	\$ 6	\$ 2,057,024	\$ 2,101,573
-	-	2,261	1,746
-	43,928	43,928	118,229
3,143	-	1,339,070	1,363,718
-	-	874,908	835,027
-	-	18,499	19,631
-	-	110,000	110,000
8,546	7	518,051	186,385
639,529	43,941	4,963,741	4,736,309
-	-	968,804	913,982
-	43,928	1,357,308	1,333,244
-	-	1,167,088	1,462,022
-	537	298,842	204,653
-	-	28,823	30,599
-	-	4,406	11,848
2,300	-	3,300	2,500
1,262,837	-	1,262,837	698,609
37,000	5,000	42,000	10,000
23,815	2,568	26,383	3,020
1,325,952	52,033	5,159,791	4,670,477
(686,423)	(8,092)	(196,050)	65,832
1,100,000	-	1,215,000	-
-	8,520	70,146	80,930
-	(1,626)	(70,146)	(80,930)
1,100,000	6,894	1,215,000	-
413,577	(1,198)	1,018,950	65,832
89,078	246,997	1,896,667	1,830,835
\$ 502,655	\$ 245,799	\$ 2,915,617	\$ 1,896,667

City of Flushing
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in fund balances - total governmental funds	\$ 1,018,950
Governmental funds report capital outlay as expenditures. However in the statement of activities the cost of these assets are allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	719,185
The issuance of long term debt provides current financial resources to governmental funds. However, on the statement of net assets bond proceeds are recorded as an increase to long term debt payable and do not affect net assets.	(1,215,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(393,468)
The payment of principal on long term debt consumes the current financial resources of the governmental funds. However, on the statement of net assets, repayments of principal are recorded as a reduction to long term debt payable and do not affect net assets.	42,000
The activities of the internal service funds are considered part of governmental activities on the statement of changes in net assets but are not reported in the funds. The internal service funds had a net loss of \$59,325 for the year ended June 30, 2004 and that net loss is included in the statement of changes in net assets of governmental activities.	<u>(59,325)</u>
Changes in net assets of governmental activities	<u><u>\$ 112,342</u></u>

See notes to financial statements.

City of Flushing
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Business-type Activities Enterprise Funds		
	Water	Sewer	Building Department
Assets			
Current assets:			
Cash and cash equivalents	\$ 1	\$ 135,678	\$ 3,766
Receivables:			
Customers	83,449	92,908	-
Unbilled usage	150,330	93,377	-
Due from other funds	-	42,825	-
Inventories	12,556	-	-
Total current assets	246,336	364,788	3,766
Noncurrent assets:			
Restricted investments	49,000	30,000	-
Capital assets - net of accumulated depreciation	3,370,248	4,611,194	-
Total noncurrent assets	3,419,248	4,641,194	-
Total assets	3,665,584	5,005,982	3,766
Liabilities			
Current liabilities:			
Accounts payable	109,038	9,291	2,738
Accrued and other liabilities	4,279	6,791	-
Due to other funds	124,467	133,037	-
Current portion of long-term debt	90,000	135,000	-
Total current liabilities	327,784	284,119	2,738
Noncurrent liabilities:			
Advance from other funds	100,000	-	-
Long-term debt - net of current portion	1,385,000	610,000	-
Total noncurrent liabilities	1,485,000	610,000	-
Total liabilities	1,812,784	894,119	2,738
Net assets			
Invested in capital assets, net of related debt	1,895,248	3,866,194	-
Restricted for debt service	29,000	15,000	-
Restricted for replacement of fixed assets	20,000	15,000	-
Unrestricted (deficit)	(91,448)	215,669	1,028
Total net assets	\$ 1,852,800	\$ 4,111,863	\$ 1,028

See notes to financial statements.

Business-type Activities Enterprise Funds		Governmental Activities	
Total Enterprise Funds		Motor Pool Internal Service Fund	
\$	139,445	\$	142,317
	176,357		-
	243,707		-
	42,825		19,800
	12,556		-
	614,890		162,117
	79,000		-
	7,981,442		288,826
	8,060,442		288,826
	8,675,332		450,943
	121,067		3,935
	11,070		1,282
	257,504		-
	225,000		-
	614,641		5,217
	100,000		-
	1,995,000		-
	2,095,000		-
	2,709,641		5,217
	5,761,442		-
	44,000		-
	35,000		-
	125,249		445,726
\$	5,965,691	\$	445,726

City of Flushing
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2004

	Business-type Activities		
	Enterprise Funds		
	Water	Sewer	Building Department
Operating revenues:			
Charges for services	\$ 1,189,753	\$ 716,731	\$ 53,210
Operating expenses:			
Water purchases	616,747	-	-
Contractual services	-	-	56,751
Salaries, wages and fringe benefits	235,206	483,714	-
Supplies and other operating expenses	74,324	209,351	-
Administrative charges	40,000	40,000	-
Depreciation	131,202	250,379	-
Total operating expenses	1,097,479	983,444	56,751
Net operating income (loss)	92,274	(266,713)	(3,541)
Nonoperating revenues (expenses):			
Connection fees	-	42,020	-
Interest income	574	613	-
Interest expense and paying agent fees	(39,000)	(44,178)	-
Loss on disposal of fixed assets	-	-	-
Total nonoperating revenue (expenses)	(38,426)	(1,545)	-
Change in net assets	53,848	(268,258)	(3,541)
Net assets - beginning of year, as restated	1,798,952	4,380,121	4,569
Net assets - end of year	\$ 1,852,800	\$ 4,111,863	\$ 1,028

See notes to financial statements.

Business-type Activities Enterprise Funds	Governmental Activities
Total Enterprise Funds	Motor Pool Internal Service Fund
<u>\$ 1,959,694</u>	<u>\$ 278,688</u>
616,747	-
56,751	-
718,920	70,956
283,675	137,868
80,000	30,000
381,581	104,853
<u>2,137,674</u>	<u>343,677</u>
<u>(177,980)</u>	<u>(64,989)</u>
42,020	-
1,187	2,327
(83,178)	-
-	3,337
<u>(39,971)</u>	<u>5,664</u>
<u>(217,951)</u>	<u>(59,325)</u>
<u>6,183,642</u>	<u>505,051</u>
<u>\$ 5,965,691</u>	<u>\$ 445,726</u>

City of Flushing
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	Business Type Activities Enterprise Funds				Governmental Activities
	Water	Sewer	Building Department	Total Enterprise Funds	Motor Pool Internal Service Fund
Cash flows from operating activities:					
Receipts from customers and users	\$ 1,149,153	\$ 707,083	\$ 53,210	\$ 1,909,446	\$ 260,070
Payments to vendors	(632,015)	(208,312)	(58,238)	(898,565)	(166,421)
Payments to employees	(236,422)	(482,658)	-	(719,080)	(70,616)
Net cash provided by (used in) operating activities	280,716	16,113	(5,028)	291,801	23,033
Cash flows from noncapital financing activities:					
Receipts (payments) on operating loans to or from other funds	(157,290)	207,290	-	50,000	-
Cash flows from capital and related financing activities:					
Acquisition of capital assets	-	-	-	-	(121,057)
Proceeds from sales of capital assets	-	-	-	-	3,337
Capital contributions	-	42,020	-	42,020	-
Principal payments on long-term debt	(85,000)	(135,000)	-	(220,000)	-
Interest expense and paying agent fees	(39,000)	(44,178)	-	(83,178)	-
Net cash used in capital and related financing activities	(124,000)	(137,158)	-	(261,158)	(117,720)
Cash flows from investing activities:					
Interest on investments	574	613	-	1,187	2,327
Net increase (decrease) in cash	-	86,858	(5,028)	81,830	(92,360)
Cash and cash equivalents - beginning of year	1	48,820	8,794	57,615	234,677
Cash and cash equivalents - end of year	\$ 1	\$ 135,678	\$ 3,766	\$ 139,445	\$ 142,317

See notes to financial statements.

(continued)

City of Flushing
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended June 30, 2004

	Business Type Activities Enterprise Funds				Governmental Activities
	Water	Sewer	Building Department	Total Enterprise Funds	Motor Pool Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used in) by operating activities:					
Operating income (loss)	\$ 92,274	\$ (266,713)	\$ (3,541)	\$ (177,980)	\$ (64,989)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operations:					
Depreciation and amortization	131,202	250,379	-	381,581	104,853
Changes in operating assets and liabilities:					
Accounts receivable	(40,599)	(9,648)	-	(50,247)	-
Inventories	3,792	-	-	3,792	-
Due from other funds	-	-	-	-	(18,619)
Accounts payable	53,621	(1,998)	(1,487)	50,136	1,448
Accrued liabilities	(1,216)	1,056	-	(160)	340
Due to other funds	41,642	43,037	-	84,679	-
Net adjustments	188,442	282,826	(1,487)	469,781	88,022
Net cash provided by (used in) operating activities	\$ 280,716	\$ 16,113	\$ (5,028)	\$ 291,801	\$ 23,033

See notes to financial statements.

**City of Flushing
Statement of Net Assets
Fiduciary Funds
June 30, 2004**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 189,026
Due from other funds	<u>1,416</u>
Total assets	<u><u>\$ 190,442</u></u>
 Liabilities	
Due to other governmental units	\$ 90,802
Due to other funds	14,577
Deposits payable	<u>85,063</u>
Total liabilities	<u><u>\$ 190,442</u></u>

See notes to financial statements.

**Notes to Basic
Financial Statements**

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

I. Summary of significant accounting policies

The accounting policies of the City of Flushing (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Flushing.

A. Reporting entity

The City of Flushing was incorporated in 1964, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the government and its component units, legally separate entities for which the government is considered to be financially accountable. The City did not have any component units at June 30, 2004.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major and Local Street Funds account for the City's share of proceeds from gas and weight taxes levied by the State and distributed to local governmental units. State law requires that these taxes be used for street maintenance and construction. The State of Michigan has designated these funds as major governmental funds.

The Capital Improvement Fund is used to account for construction projects undertaken by the City. Funding for these projects consist of a tax levy reserved for capital improvement and other revenue sources.

The government reports the following major proprietary funds:

The Water Supply and Sewer Disposal System is a division of the City's Department of Public Work. Separate funds are maintained for the operations of the water distribution system and sewage pumping and collection systems and the sewer treatment plant.

Additionally, the government reports the following fund types:

The Motor Pool Internal Service Fund accounts for fleet services provided to other departments or agencies of the City, on a cost reimbursement basis.

Agency Funds account for assets held by the City as an agent for individuals, private organizations and other governments. Agency funds are reported as fiduciary funds and are not included in the government wide Statement of Net Assets and Statement of Activities.

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds and of the City's motor pool internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and cash equivalents

The City's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments:

Investments for the City are stated at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

3. Receivables and payables

In general, outstanding balance between funds are reported as "due to/from other funds", activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

3. Receivables and payables – (continued)

Advances to other funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles.

4. Inventories and prepaid items

Inventories in the Water Enterprise Fund are valued at the lower of cost or market using the first-in/first-out (FIFO) method. Inventory consists of expendable supplies for consumption.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted assets

Certain resources of the Water and Sewer Funds are classified as restricted assets on the balance sheet because they are restricted for the funding of certain reserves by applicable bond covenants. The bond reserve account is used to report resources set aside for debt service. The replacement account is used to report resources set aside to fund asset renewals and replacements.

6. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of City is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	15-40
Public domain infrastructure	15-20
Water and sewer system infrastructure	40
Vehicles	3 - 5
Machinery and equipment	3 - 10

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

7. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All full-time City employees can accumulate up to 12 sick days annually, which are paid or carried forward. DPW employees can carry forward 78 days if not used and receive payment of one-half of their accumulated days at retirement only. Police and exempt employees can carry forward 120 days if not used and receive payment of one-half of their accumulated days at retirement or when an employee terminates his/her employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Employees can accrue up to one and a half times the vacation earned annually. Unused vacation is paid out at retirement or when an employee terminates his/her employment. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In prior years, the governmental fund that has liquidated compensated absences has typically been the general fund.

8. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Property tax

Property taxes are levied based on assessed values of property located in the City. Assessed values are established annually and equalized by the state at an estimated 50% of current market value. A comparison of assessed and taxable property values for the 2004 tax levy is as follows:

	<u>Assessed Value</u>	<u>Taxable Value</u>
Real property	\$229,329,429	\$197,040,532
Personal property	6,203,900	6,203,900
Total	<u>\$ 235,533,329</u>	<u>\$203,244,432</u>

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

10. Property tax – (continued)

The City is permitted by charter to levy up to \$15.00 (15 mills) per \$1,000 of state equalized value for general governmental services. For the year ended June 30, 2004, the City levied 7.002 mills for general governmental services and 3.0914 mills for capital improvements. The City is permitted to levy unlimited amounts for payment of existing general long-term debt obligations. There was no debt millage levied for the year ended June 30, 2004.

11. Comparative data/reclassifications

Comparative total data for the prior year have been presented at the fund financial statement level only in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." These long-term liabilities are recorded in the Statement of Net Assets. The details of this difference at June 30, 2004 are as follows:

Bonds and notes payable	\$1,208,000
Claims payable	154,293
Compensated absences	<u>239,176</u>
Net long-term liability adjustment to reduce <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u><u>\$1,601,469</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference for the year ended June 30, 2004 are as follows:

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

II. Reconciliation of government-wide and fund financial statements – (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities - (continued)

Capital outlay	\$1,389,489
Depreciation expense	<u>(670,304)</u>
Net capital asset adjustment to decrease <i>net changes</i> <i>in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 719,185</u></u>

III. Stewardship, compliance, and accountability

Budgetary information

The City followed these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 20, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds. Informational summaries of projected revenues and expenditures/expenses are provided for all other City funds, as well as estimated total costs and proposed methods of financing all capital construction projects.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted on a departmental (activity) basis for General fund and fund level for most Special Revenue funds for the ensuing fiscal year, through passage of an ordinance and in accordance with Public Act 621 of 1978 of the State of Michigan. No budget was adopted for the Cemetery Special Revenue Fund. The budget is adopted in accordance with generally accepted accounting principles (GAAP), except for the general fund as noted below. Management can transfer appropriations within departments for the General Fund, but any budgetary amendments which effect the total department appropriations must be approved by City Council.
4. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
5. Budget appropriations lapse at year end. The City had no encumbrances outstanding at June 30, 2004.
6. The original budget was amended during the year in compliance with the City Charter and applicable state law. Budgeted amounts are reported in the required supplemental information and financial statements as originally adopted and as amended by the City Council.

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

IV. Detailed notes on all funds

A. Deposits and investments

Deposits:

The City's deposits consist of checking accounts and certificates of deposit.

At year end, the carrying amount of the City's deposits was \$2,336,887 excluding petty cash of \$450, and the bank balance was \$2,422,762. The bank balance included \$79,000 in certificates of deposit and \$554,441 in money market index accounts. Insurance coverage for deposits amounted to \$379,000 or 16% and \$2,043,762 of the bank balance was neither insured nor collateralized. The amount of uninsured deposits was substantially higher during certain times of the year due to significantly higher cash flows.

Investments:

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, and mutual funds comprised of the above authorized investments. The City Council has adopted the above as its investment policy. The City Council has authorized Bank One, Citizens Bank, Fifth Third, Prudential Bache, Paine Weber and Republic Bank as the City's depositories.

The City's investments at June 30, 2004, consist of repurchase agreements and mutual funds as follows:

Repurchase agreements	\$226,668
Mutual funds	<u>408,647</u>
	<u>\$635,315</u>

The investment in repurchase agreements are not insured by or registered with any agency. The agreement requires that the custodian hold U.S. securities as collateral in the custodian's name.

The investments in mutual funds are not categorized by risk because they are not evidenced by securities that exist in physical or book entry form.

At year end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business- Type Activities	Fiduciary Funds	Total
Cash and equivalent	\$2,401,621	\$139,445	\$189,026	\$2,730,092
Investments	163,560	-	-	163,560
Restricted investments	-	79,000	-	79,000
	<u>\$2,565,181</u>	<u>\$218,445</u>	<u>\$189,026</u>	<u>\$2,972,652</u>

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

IV. Detailed notes on all funds – (continued)

A. Deposits and investments – (continued)

Investments: - (continued)

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposits)	\$2,336,887
Mutual funds	408,647
Repurchase agreements	226,668
Petty cash	450
	<u>\$2,972,652</u>

B. Receivables

Receivables as of year end for the City's individual major and nonmajor funds, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Accounts	\$ 54,804	\$ -	\$ -	\$ -	\$ 54,804
Intergovernmental	275,335	31,933	12,295	12,545	332,108
Gross receivables	330,139	31,933	12,295	12,545	386,912
Less: allowance for uncollectibles	-	-	-	-	-
Net total receivables	<u>\$330,139</u>	<u>\$ 31,933</u>	<u>\$ 12,295</u>	<u>\$ 12,545</u>	<u>\$386,912</u>

Business type activities:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Receivables:			
Accounts	\$233,779	\$186,285	\$420,064
Less: allowance for uncollectibles	-	-	-
Net total receivables	<u>\$233,779</u>	<u>\$186,285</u>	<u>\$420,064</u>

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

IV. Detailed notes on all funds – (continued)

C. Capital assets

Capital asset activity for the year ended June 30, 2004 is as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 834,976	\$ 125,000	\$ -	\$ 959,976
Right-of-Ways	4,946,186	-	-	4,946,186
Construction in progress	-	810,949	-	810,949
Total capital assets, not being depreciated	<u>5,781,162</u>	<u>935,949</u>	<u>-</u>	<u>6,717,111</u>
Capital assets, being depreciated:				
Buildings	1,487,797	-	-	1,487,797
Improvements other than buildings	489,089	-	-	489,089
Machinery and equipment	2,083,790	122,709	(24,767)	2,181,732
Infrastructure	12,645,143	451,889	-	13,097,032
Total capital assets being depreciated	<u>16,705,819</u>	<u>574,598</u>	<u>(24,767)</u>	<u>17,255,650</u>
Less accumulated depreciation for:				
Buildings	(916,620)	(57,852)	-	(974,472)
Improvements other than buildings	(250,906)	(21,990)	-	(272,896)
Machinery and equipment	(1,609,150)	(151,387)	24,767	(1,735,770)
Infrastructure	(4,726,111)	(543,929)	-	(5,270,040)
Total accumulated depreciation	<u>(7,502,787)</u>	<u>(775,158)</u>	<u>24,767</u>	<u>(8,253,178)</u>
Total capital assets, being depreciated, net	<u>9,203,032</u>	<u>(200,560)</u>	<u>-</u>	<u>9,002,472</u>
Governmental activities capital assets, net	<u>\$14,984,194</u>	<u>\$ 735,389</u>	<u>\$ -0-</u>	<u>\$15,719,583</u>

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

IV. Detailed notes on all funds – (continued)

C. Capital assets – (continued)

Primary Government – (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 18,790	\$ -	\$ -	\$ 18,790
Capital assets, being depreciated:				
Buildings and system	11,043,817	-	-	11,043,817
Improvements other than buildings	6,775,716	-	-	6,775,716
Machinery and equipment	240,388	-	-	240,388
Total capital assets, being depreciated	18,059,921	-	-	18,059,921
Less accumulated depreciation for:				
Buildings and system	(6,245,081)	(215,886)	-	(6,460,967)
Improvements other than buildings	(3,245,510)	(160,893)	-	(3,406,403)
Machinery and equipment	(225,097)	(4,802)	-	(229,899)
Total accumulated depreciation	(9,715,688)	(381,581)	-	(10,097,269)
Total capital assets, being depreciated, net	8,344,233	(381,581)	-	7,962,652
Business-type activities capital assets, net	<u>\$ 8,363,023</u>	<u>\$(381,581)</u>	<u>\$ -0-</u>	<u>\$ 7,981,442</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

 Current:

General government	\$ 14,927
Public safety	42,834
Streets	543,927
Public works	114,633
Recreation	44,845
Social and cultural	13,992

Total depreciation expense - governmental activities \$775,158

Business-type activities:

Water	\$131,202
Sewer	250,379

Total depreciation expense – Business-type activities \$381,581

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

IV. Detailed notes on all funds – (continued)

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2004 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Cops Special Revenue	\$ 11,785
	Water Enterprise	80,000
	Sewer Enterprise	130,000
	Tax Collection Agency	10,763
	General Trust Agency	116
	Tax Collection Agency	3,698
	Water Enterprise	42,825
	General	13,005
	Major Street Special Revenue	1,210
	Local Street Special Revenue	906
Capital Improvement	Water Enterprise	1,642
Enterprise Sewer	Sewer Enterprise	3,037
Motor Pool Internal Service	General Fund	1,416
Agency		<u>\$300,403</u>

Advances to other funds:

The City Council has authorized an interfund advance during a prior year from the General fund to the Water fund. There are no interest or repayment terms on the \$100,000 advance.

Operating transfers:

	<u>Transfer In</u>		
	<u>General Fund</u>	<u>Local Streets</u>	<u>Nonmajor Governmental</u>
Transfer out:			<u>Total</u>
General fund	\$ -	\$ -	\$ 8,520
Major streets	-	60,000	-
Nonmajor governmental funds	1,626	-	-
Total transfers out	<u>\$ 1,626</u>	<u>\$ 60,000</u>	<u>\$ 8,520</u>
			<u>\$ 70,146</u>

Transfers between funds were primarily for operating purposes.

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

IV. Detailed notes on all funds – (continued)

E. Long-term debt

General obligation bonds:

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for business-type activities. The original amount of general obligation bonds issued in prior years was \$2,030,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Revenue bonds:

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

The government issued special assessment bonds to provide funds for the acquisition and construction of major capital facilities. The general obligation special assessment bonds represent the financing of public improvements that benefited specific districts in prior years. Those districts were specially assessed, at least in part, for the cost of the improvements. In conjunction with a prior year tax levy the City forgave all unpaid special assessment receivables to retire this debt. Therefore, no special assessment receivables are outstanding at June 30, 2004. The City is now completely liable for payment of these bonds and the bonds are recorded as general obligation bonds.

Long-term liability activity for the year ended June 30, 2004 can be summarized as follows:

	<u>General Obligation Special Assessment</u>	<u>Notes Payable</u>	<u>Accumulated Annual and Sick Pay</u>
Governmental Activities:			
Debt at July 1, 2003	\$ 35,000	\$ -	\$ -
New debt:			
Installment purchase obligation	-	1,100,000	-
Note payable	-	115,000	-
Employee absences	-	-	239,176
Principal payments made	(5,000)	(37,000)	-
Total governmental activities long-term debt	<u>\$ 30,000</u>	<u>\$1,178,000</u>	<u>\$239,176</u>

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

IV. Detailed notes on all funds – (continued)

E. Long-term debt – (continued)

The following is a summary of Business Type long-term liability activity of the City for the year ended June 30, 2004:

	<u>Revenue Bonds</u>	<u>General Obligation Bonds</u>
Business type activities:		
Long-term debt payable at July 1, 2003	\$1,560,000	\$ 880,000
Principal payments made	<u>(85,000)</u>	<u>(135,000)</u>
Total business type		
Activities long-term debt at June 30, 2004	<u>\$1,475,000</u>	<u>\$ 745,000</u>

A summary of long-term liability transactions for the year ended June 30, 2004, and the composition of the June 30, 2004, long-term debt balance follows:

	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Original Amount of Issue</u>	<u>Balance at June 30, 2003</u>	<u>Issuances (Retire- ments) During Year</u>	<u>Balance at June 30, 2004</u>	<u>Due Within One Year</u>
Governmental activities:							
Special Assessment Bonds Series 1991-A	2006	5.4-8%	\$ 130,000	\$ 35,000	\$ (5,000)	\$ 30,000	\$ 10,000
Installment purchase obligation	2019	4.33	1,100,000	-	1,100,000 (37,000)	1,063,000	74,000
Land contract	2009	7.0	115,000	-	115,000	115,000	-
Accrued annual and sick pay				-	239,176	239,176	-
Total governmental activities				<u>\$ 35,000</u>	<u>\$1,412,176</u>	<u>\$1,447,176</u>	<u>\$ 84,000</u>
Business-type activities:							
State of Michigan Drinking Water Revolving Fund Revenue Bonds	4/18	2.5	\$1,970,768	\$1,560,000	\$ (85,000)	\$1,475,000	\$ 90,000
General Obligation Refunding Bonds	2008	3.85-5.60	1,900,000	880,000	(135,000)	745,000	135,000
Total business-type activities				<u>\$2,440,000</u>	<u>\$ (220,000)</u>	<u>\$2,220,000</u>	<u>\$225,000</u>

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

IV. Detailed notes on all funds – (continued)

E. Long-term debt – (continued)

Annual debt service requirements to maturity for the above obligations are as follows:

Year End June 30,	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 84,000	\$ 46,977	\$ 225,000	\$ 55,340
2006	84,000	43,073	220,000	47,328
2007	84,000	39,169	250,000	38,573
2008	74,000	35,615	245,000	29,000
2009	189,000	32,411	275,000	17,873
2010-2014	370,000	113,985	530,000	49,877
2015-2019	323,000	34,098	475,000	15,064
Total	<u>\$1,208,000</u>	<u>\$345,328</u>	<u>\$2,220,000</u>	<u>\$253,055</u>

Act 279, Public Acts of Michigan 1909, as amended, provides that net indebtedness of cities cannot exceed 10% of the assessed real and personal property in the city. As of June 30, 2004, the City of Flushing had a total debt limit of \$23,553,333. According to Act 279, the General Obligation Refunding Bonds, the Drinking Water Revolving Fund Bonds, the land contract, and the installment purchase obligation are specifically exempted from the computation. Principal outstanding on applicable debt at June 30, 2004 is \$30,000. Therefore, the City could incur \$23,523,333 of additional general obligation debt as of June 30, 2004 and still be in compliance with State law.

F. Restricted assets

In accordance with City ordinances, specific assets of the Water Fund and Sewer Fund have been restricted for the funding of required reserves. These reserves have been established to provide for the revenue bond debt service payments and replacement of fixed assets. Retained earnings in the Water and Sewer Funds has been reserved for these assets at June 30, 2004.

The following is a composition of the restricted assets as of June 30, 2004:

	Water Fund	Sewer Fund	Enterprise Fund Total
Certificates of deposit:			
Bond reserve account	\$ 29,000	\$ 15,000	\$ 44,000
Replacement account	20,000	15,000	35,000
Total restricted assets	<u>\$ 49,000</u>	<u>\$ 30,000</u>	<u>\$ 79,000</u>

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

IV. Detailed notes on all funds – (continued)

G. Net assets restatement

Net assets in the Water and Sewer Enterprise Fund have been restated from the June 30, 2003 financial statements. Sewer and water lines constructed by developers had not been fully capitalized. The net assets of June 30, 2003 have been corrected to record these water and sewer lines.

	<u>Water</u>	<u>Sewer</u>
Net assets previously reported	\$1,083,259	\$3,980,671
Addition of contributed water and sewer lines, net of depreciation	<u>715,693</u>	<u>399,450</u>
Net assets at July 1, 2003, as restated	<u>\$1,798,952</u>	<u>\$4,380,121</u>

V. Other information

A. Retirement plan and other post-employment benefits

Significant details regarding the City's retirement plan and other post-employment benefits are presented below:

Plan Description - The City of Flushing contributes to the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan. MERS operates as an independent public nonprofit corporation in accordance with Public Act 220 of 1996 of the State of Michigan whose purpose is to provide retirement and other benefits to employees of local units of government in the State of Michigan. MERS provides retirement and disability benefits, deferred allowances and death benefits, to plan members and beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917. The MERS plan covers substantially all full-time employees.

Funding Policy - MERS members are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate, which is revised annually. The City's current contribution rate is a certain percent of annual covered payroll for each category of city employee. Rates for June 30, 2004 were general employees – 14.5%, police – 22%, and administrative – 23%. Member and employer contributions are "pooled" to fund a specific pension benefit for the employees of the City. The contribution requirements of plan members and the City are established and may be amended by the MERS Board of Trustees.

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

V. Other information – (continued)

A. Retirement plan and other post-employment benefits – (continued)

Annual Pension Cost - For 2004, the City's annual pension cost of \$390,166 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 1999 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions as of the date of the most recently completed actuarial valuation on December 31, 2002 included (1) a rate of return on the investments of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority\merit, (4) the assumption that benefits will increase 4.5% per year. The actuarial value of the City's assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of payroll contributions over an open period of 30 years.

Three-Year Trend Information for
the City of Flushing

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2002	\$351,719	100%	\$ -
June 30, 2003	390,166	100%	-
June 30, 2004	388,526	100%	-

B. Post-retirement benefits

Premiums for health insurance for all retired employees and spouses are paid by the city in accordance with the following schedule:

<u>Employee Full Years of Service</u>	<u>Percent of Premiums Paid by the City for the Spouse and Eligible Dependents</u>
20	50%
21	60
22	70
23	80
24	90
25	100

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

V. Other information – (continued)

B. Post-retirement benefits – (continued)

The aforementioned benefits are contractually required and paid annually from the General Fund and amounted to \$147,310 for the year ended June 30, 2004. At June 30, 2004, 25 employees are eligible to receive these benefits.

C. Building department fund revenues and expenditures

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenses related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenses, the fees collected must be kept in a separate fund with all the revenues and expenses accounted for in that fund. The activity related to construction code activity for the year ended June 30, 2004 is as follows:

Construction permit revenue	\$ 53,210
Expenses:	
Professional services	<u>(56,751)</u>
Expenses over revenue	(3,541)
Net assets, beginning of year	<u>4,569</u>
Net assets, end of year	<u><u>\$ 1,028</u></u>

D. Risk management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The City participates in a public entity risk pool that assumes the risk of loss for these claims. Settled claims for the insurance provided by the Pool have not exceeded the amount of pool coverage in any of the past three fiscal years. As a participant in the pool, the City has the responsibility to promptly pay all annual premiums, promptly report all incidents, follow all loss reduction and prevention procedures established by the Pool, provide the City's annual budget and audited financial statements, and cooperate fully with the Pool and its attorneys in the investigation, litigation, and settlement of liability claims. The City obtains fleet insurance, employee dishonesty, property, and general tort coverage through the Pool.

The City participates in the federally assisted COPS Grant Program. This program is subject to monitoring by the granting agency. The granting agency has yet to make final approval of the expenditures charged to the grant. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

City of Flushing
Notes to Basic Financial Statements
June 30, 2004

V. Other information – (continued)

E. Joint venture

The City has entered into a joint agreement with the Charter Township of Flushing, to share in the acquisition costs and operating costs of a senior citizens center for township and city residents. The facility renovation and operation is overseen by a joint building operating committee made up of two appointees from each municipality, and are selected by the city and township members. The joint building committee prepares an annual operating budget, which is approved by each municipality. All operating regulations, policies, and rules for the center are determined by the committee and approved by the city and township. Operating expenses will be divided between the city and township based on resident usage records. The City of Flushing acts as the fiduciary agent for the Senior Center, and records its share of the expenditures in the General fund. During the year ended June 30, 2004, the City's share of the operating costs of the Center was \$18,753.

The City's financial statements interest in the Center's net assets as of June 30, 2004, was \$153,600 or 60%. Separate financial statements for the joint venture are not available at June 30, 2004.

F. Construction commitment

At June 30, 2004, the City had entered into a contract to construct a new City Hall. At year end, \$687,051 remained to be incurred and paid on that contractual commitment.

Required Supplementary Information

City of Flushing
Required Supplementary Information
Employees Retirement System
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (VAAL) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	VAAL as a % of Covered Payroll (b - a)/c
12/31/96	\$3,317,381	\$5,460,296	\$2,142,915	60.7%	\$1,229,170	174.3%
12/31/97	3,684,430	5,987,763	2,303,333	61.5	1,455,854	158.2
12/31/98	4,181,213	6,379,625	2,198,412	65.5	1,447,415	151.9
12/31/99	4,870,812	7,061,015	2,190,203	68.9	1,510,803	144.9
12/31/00	5,379,732	8,046,566	2,666,834	66.9	1,598,152	166.9
12/31/01	5,843,297	8,535,590	2,692,293	68.4	1,679,670	160.2
12/31/02*	6,124,103	9,643,698	3,519,595	63.5	1,784,023	197.3

* Most recent valuation completed as of opinion date.

City of Flushing
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Year Ended June 30, 2004
With Comparative Actual Totals for the Year Ended June 30, 2003

	2004				
	Original Budget	Final Budget	Actual	Variance Under (Over)	2003 Actual
Revenues:					
Taxes	\$ 1,428,500	\$ 1,429,500	\$ 1,429,178	\$ (322)	\$ 1,391,843
Licenses and permits	1,050	1,050	2,261	1,211	1,746
Intergovernmental - state	840,000	774,100	774,222	122	850,447
Charges for services	847,680	856,880	874,908	18,028	835,027
Fines and fees	14,500	19,500	18,499	(1,001)	19,631
Administrative services	110,000	110,000	110,000	-	110,000
Interest and other	161,500	498,850	506,775	7,925	168,716
Total revenues	3,403,230	3,689,880	3,715,843	25,963	3,377,410
Expenditures:					
General government	1,040,747	987,947	968,804	19,143	913,982
Public safety	1,343,465	1,345,965	1,313,380	32,585	1,288,423
Department of public works	723,868	742,368	731,753	10,615	838,735
Recreation	238,700	190,200	183,305	6,895	204,653
Social and cultural	41,700	34,900	28,823	6,077	30,599
Planning	14,750	10,050	4,406	5,644	11,848
Total expenditures	3,403,230	3,311,430	3,230,471	80,959	3,288,240
Excess (deficiency) of revenues over expenditures	-	378,450	485,372	106,922	89,170
Other financing sources (uses):					
Operating transfers in	-	1,626	1,626	-	-
Operating transfers out	-	(8,520)	(8,520)	-	(930)
Total other financing sources (uses)	-	(6,894)	(6,894)	-	(930)
Excess of revenues over expenditures and other financing uses	-	371,556	478,478	106,922	88,240
Fund balance - beginning of year	1,452,009	1,452,009	1,452,009	-	1,363,769
Fund balance - end of year	\$ 1,452,009	\$ 1,823,565	\$ 1,930,487	\$ 106,922	\$ 1,452,009

Note - See budgetary note on page 62.

**City of Flushing
General Fund
Schedule of Expenditures Compared to Budget
Year Ended June 30, 2004
With Comparative Actual Totals for the Year Ended June 30, 2003**

	2004			Variance	2003
	Original Budget	Final Budget	Actual	Under (Over)	Actual
General government:					
City council	\$ 17,450	\$ 17,450	\$ 13,907	\$ 3,543	\$ 14,259
City manager	201,343	191,343	189,005	2,338	179,741
City elections	8,525	8,525	6,474	2,051	6,465
City assessor	77,155	75,155	74,195	960	74,176
City attorney	65,000	55,000	53,106	1,894	54,610
City clerk/treasurer	255,974	255,974	254,577	1,397	246,817
General administrative services	303,500	279,600	275,954	3,646	240,717
City hall annex/library	35,500	27,300	25,754	1,546	33,074
Cemetery	76,300	77,600	75,832	1,768	64,123
Total general government	1,040,747	987,947	968,804	19,143	913,982
Public safety:					
Police protection	1,172,350	1,198,850	1,170,973	27,877	1,116,720
Fire protection	170,615	146,115	141,481	4,634	171,478
Civil defense	500	1,000	926	74	225
Total public safety	1,343,465	1,345,965	1,313,380	32,585	1,288,423
Department of public works:					
Administration	127,100	172,100	163,502	8,598	270,828
Sanitation	460,768	460,768	459,114	1,654	449,342
Solid waste collection	136,000	109,500	109,137	363	118,565
Total department of public works	723,868	742,368	731,753	10,615	838,735
Recreation:					
Parks and grounds	176,200	131,200	125,673	5,527	152,597
Swimming pool	62,500	59,000	57,632	1,368	52,056
Total recreation	238,700	190,200	183,305	6,895	204,653
Social and cultural	41,700	34,900	28,823	6,077	30,599
Planning	14,750	10,050	4,406	5,644	11,848
Total expenditures	\$ 3,403,230	\$ 3,311,430	\$ 3,230,471	\$ 80,959	\$ 3,288,240

Note - See budgetary note on page 62.

**City of Flushing
Major Street Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Major Street			Variance Under (Over)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental - state	\$ 375,000	\$ 396,600	\$ 400,492	\$ 3,892
Interest and other	2,500	2,150	2,461	311
Total revenues	377,500	398,750	402,953	4,203
Expenditures:				
Current:				
Public works and streets	317,000	306,000	281,009	24,991
Other	500	500	500	-
Total expenditures	317,500	306,500	281,509	24,991
Excess of revenues over expenditures	60,000	92,250	121,444	29,194
Other financing uses:				
Operating transfers out	(60,000)	(60,000)	(60,000)	-
Excess of revenues over expenditures and other financing uses	-	32,250	61,444	29,194
Fund balance - beginning of year	87,060	87,060	87,060	-
Fund balance - end of year	\$ 87,060	\$ 119,310	\$ 148,504	\$ 29,194

**City of Flushing
Local Street Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Local Street			Variance Under (Over)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental - state	\$ 153,000	\$ 161,100	\$ 161,213	\$ 113
Interest and other	1,700	225	262	37
Total revenues	154,700	161,325	161,475	150
Expenditures:				
Current:				
Public works and streets	214,200	170,200	154,326	15,874
Other	500	500	500	-
Total expenditures	214,700	170,700	154,826	15,874
Excess (deficiency) of revenues over expenditures	(60,000)	(9,375)	6,649	16,024
Other financing sources:				
Operating transfers in	60,000	60,000	60,000	-
Excess of revenues and other financing sources over expenditures	-	50,625	66,649	16,024
Fund balance - beginning of year	21,523	21,523	21,523	-
Fund balance - end of year	\$ 21,523	\$ 72,148	\$ 88,172	\$ 16,024

City of Flushing
Notes to Required Supplementary Information
June 30, 2004

Summary of Significant Accounting Policies – Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

The budget for the Major Street and Local Street Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The budget for the General Fund was not budgeted in accordance with generally accepted accounting policies.

The General Fund did not budget for the debt proceeds and related capital expenditures for land purchased through a debt obligation. A reconciliation of the actual expenditures reported in the General Fund Schedule of Revenues and Expenditures and Changes in Fund Balance – Budget and Actual with the General Fund in the fund financial statements is as follows:

	<u>Budget Basis</u>	<u>Adjustment</u>	<u>Fund Financial Statements</u>
Revenues	\$ 3,715,843	\$ -	\$ 3,715,843
Expenditures	(3,230,471)	(115,000)	(3,345,471)
Other financing sources (uses)	(6,894)	115,000	108,106
Excess of revenues over expenditures	<u>\$ 478,478</u>	<u>\$ -0-</u>	<u>\$ 478,478</u>

**City of Flushing, Michigan
Nonmajor Governmental Funds
Summary Descriptions
June 30, 2004**

Special Revenue Funds

COPS Grant

This fund is used to account for the revenues and expenditures related to the federally funded COPS grant.

Narcotics Fund

This fund is used to account for revenues from the sales of drug confiscated items. Expenditures are restricted to drug enforcement and prevention.

Cemetery Fund

The Cemetery Fund is used to account for investment principal and related interest income amounts reserved for maintenance of the community cemetery.

Debt Service Fund

Debt Service Fund

This fund was established to accumulate resources for the payment of the general obligation special assessment debt issued to fund capital improvements.

Capital Projects Funds

Fire Department Reserve Fund

This fund is used to accumulate resources for the purchase of fire department equipment and improvements.

Community Development Fund

This fund is used to account for community development funds that are used for projects suggested by the citizenry.

**City of Flushing, Michigan
Nonmajor Governmental Funds
Summary Descriptions – (continued)
June 30, 2004**

Fiduciary Funds

Agency Funds:

Tax Collection Fund

This fund is used to account for current and delinquent taxes that are collected for other units of government.

General Trust Fund

This fund is used to account for monies received from contractors doing work with the City to ensure the work is completed. The money is returned when the job is completed.

City of Flushing
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004
With Comparative Totals for June 30, 2003

	Special Revenue		
	COPS Grant	Narcotics	Cemetery
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ 12,723
Investments	-	-	163,560
Due from other funds	-	-	-
Due from other governmental units	12,545	-	-
Total assets	\$ 12,545	\$ - 0 -	\$ 176,283
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued and other liabilities	760	-	-
Deposits	-	-	2,000
Due to other funds	11,785	-	-
Total liabilities	12,545	-	2,000
Fund balances:			
Reserved for perpetual care	-	-	174,283
Unreserved:			
Undesignated	-	-	-
Total fund balances	-	-	174,283
Total liabilities and fund balances	\$ 12,545	\$ - 0 -	\$ 176,283

<u>Debt Service</u>		<u>Capital Projects</u>			
<u>Debt Service</u>		<u>Fire Department Reserve</u>	<u>Community Development</u>	<u>Totals</u>	
				<u>2004</u>	<u>2003</u>
\$ 1,007	\$ 70,161	\$ 348	\$ 84,239	\$ 83,970	
-	-	-	163,560	164,097	
-	-	-	-	930	
-	-	-	12,545	12,628	
<hr/>					
\$ 1,007	\$ 70,161	\$ 348	\$ 260,344	\$ 261,625	

\$ -	\$ -	\$ -	\$ -	\$ 43	
-	-	-	760	1,222	
-	-	-	2,000	2,000	
-	-	-	11,785	11,363	
<hr/>					
-	-	-	14,545	14,628	

-	-	-	174,283	166,300	
1,007	70,161	348	71,516	80,697	
1,007	70,161	348	245,799	246,997	
<hr/>					
\$ 1,007	\$ 70,161	\$ 348	\$ 260,344	\$ 261,625	

City of Flushing
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004
With Comparative Totals for June 30, 2003

	Special Revenue		
	COPS Grant	Narcotics	Cemetery
Revenues:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental - federal	43,928	-	-
Interest and other	-	-	-
Total revenues	43,928	-	-
Expenditures:			
Current:			
Public safety:			
Law enforcement	43,928	-	-
Other	-	-	537
Capital outlay	-	-	-
Debt service:			
Principal payments	-	-	-
Interest and paying agent fees	-	-	-
Total expenditures	43,928	-	537
Excess (deficiency) of revenues over expenditures	-	-	(537)
Other financing sources (uses):			
Operating transfers in	-	-	8,520
Operating transfers out	-	(1,626)	-
Total other financing sources (uses)	-	(1,626)	8,520
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	(1,626)	7,983
Fund balance - beginning of year	-	1,626	166,300
Fund balance - end of year	\$ - 0 -	\$ - 0 -	\$ 174,283

<u>Debt Service</u>		<u>Capital Projects</u>			
<u>Debt Service</u>		<u>Fire Department Reserve</u>	<u>Community Development</u>	<u>Totals</u>	
				<u>2004</u>	<u>2003</u>
\$	6	\$	-	\$	6
	-		-		43,928
	7		-		7
	13		-		43,941
					130,553
	-		-		43,928
	-		-		537
	-		-		-
					73,408
	5,000		-		5,000
	2,568		-		2,568
					10,000
					3,020
	7,568		-		52,033
					131,249
	(7,555)		-		(8,092)
					(696)
	-		-		8,520
	-		-		(1,626)
					930
					-
	-		-		6,894
					930
	(7,555)		-		(1,198)
					234
	8,562		70,161		348
					246,997
					246,763
\$	1,007	\$	70,161	\$	348
				\$	245,799
				\$	246,997

City of Flushing
COPS Grant Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Year Ended June 30, 2004

	COPS Grant			Variance Under (Over)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental - federal	\$ 41,200	\$ 43,928	\$ 43,928	\$ -
Expenditures:				
Current:				
Public safety	41,200	43,928	43,928	-
Excess of revenues over expenditures	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

City of Flushing
Narcotics Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Year Ended June 30, 2004

	Narcotics			Variance Under (Over)
	Original Budget	Final Budget	Actual	
Revenues:				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Public safety	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Other financing uses:				
Operating transfers out	-	(1,626)	(1,626)	-
Excess (deficiency) of revenues over expenditures and other financing uses	-	(1,626)	(1,626)	-
Fund balance - beginning of year	1,626	1,626	1,626	-
Fund balance - end of year	\$ 1,626	\$ - 0 -	\$ - 0 -	\$ - 0 -

City of Flushing
Combining Balance Sheet
Agency Funds
June 30, 2004
With Comparative Totals for June 30, 2003

	Tax Collections	General Trust	Totals	
			2004	2003
Assets				
Cash and cash equivalents	\$ 140,771	\$ 48,255	\$ 189,026	\$ 146,298
Accounts receivable	-	-	-	850
Due from other funds	1,416	-	1,416	560
	<hr/>			
Total assets	\$ 142,187	\$ 48,255	\$ 190,442	\$ 147,708
<hr/>				
Liabilities				
Due to other governmental units	\$ 90,802	\$ -	\$ 90,802	\$ 55,940
Due to other funds	14,461	116	14,577	14,225
Deposits payable	36,924	48,139	85,063	77,543
	<hr/>			
Total liabilities	\$ 142,187	\$ 48,255	\$ 190,442	\$ 147,708
<hr/>				

City of Flushing
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<u>Tax Collection</u>				
Assets				
Cash and cash equivalents	\$ 108,725	\$ 8,101,038	\$ 8,068,992	\$ 140,771
Customer receivables	850	4,018	4,868	-
Due from other funds	-	1,416	-	1,416
Total assets	<u>\$ 109,575</u>	<u>\$ 8,106,472</u>	<u>\$ 8,073,860</u>	<u>\$ 142,187</u>
Liabilities				
Due to other governmental units	\$ 55,940	\$ 12,687,937	\$ 12,653,075	\$ 90,802
Due to other funds	14,070	2,625,714	2,625,323	14,461
Deposits payable	39,565	33,989	36,630	36,924
Total liabilities	<u>\$ 109,575</u>	<u>\$ 15,347,640</u>	<u>\$ 15,315,028</u>	<u>\$ 142,187</u>
<u>General Trust</u>				
Assets				
Cash and cash equivalents	\$ 37,573	\$ 12,937	\$ 2,255	\$ 48,255
Due from other funds	560	-	560	-
Total assets	<u>\$ 38,133</u>	<u>\$ 12,937</u>	<u>\$ 2,815</u>	<u>\$ 48,255</u>
Liabilities				
Due to other funds	\$ 155	\$ 116	\$ 155	\$ 116
Deposits payable	37,978	12,261	2,100	48,139
Total liabilities	<u>\$ 38,133</u>	<u>\$ 12,377</u>	<u>\$ 2,255</u>	<u>\$ 48,255</u>
<u>Totals - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 146,298	\$ 8,113,975	\$ 8,071,247	\$ 189,026
Customer receivables	850	4,018	4,868	-
Due from other funds	560	1,416	560	1,416
Total assets	<u>\$ 147,708</u>	<u>\$ 8,119,409</u>	<u>\$ 8,076,675</u>	<u>\$ 190,442</u>
Liabilities				
Due to other governmental units	\$ 55,940	\$ 12,687,937	\$ 12,653,075	\$ 90,802
Due to other funds	14,225	2,625,830	2,625,478	14,577
Deposits payable	77,543	46,250	38,730	85,063
Total liabilities	<u>\$ 147,708</u>	<u>\$ 15,360,017</u>	<u>\$ 15,317,283</u>	<u>\$ 190,442</u>

City of Flushing
Capital Assets Used in the Operation of Governmental Funds ⁽¹⁾
Comparative Schedules By Source
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Governmental funds capital assets:		
Land, buildings, and improvements	\$ 2,936,862	\$ 2,811,862
Machinery and equipment	883,194	881,543
Infrastructure	18,043,218	17,591,329
Construction in progress	810,949	-
	<hr/>	<hr/>
Total governmental funds capital assets	<u>\$ 22,674,223</u>	<u>\$ 21,284,734</u>
Investment in governmental funds capital assets by source:		
General fund	\$ 6,701,765	\$ 7,027,002
Special revenue funds	13,576,530	13,124,641
Capital projects funds	1,615,060	352,223
Assets acquired prior to 1984	780,868	780,868
	<hr/>	<hr/>
Total governmental funds capital assets	<u>\$ 22,674,223</u>	<u>\$ 21,284,734</u>

⁽¹⁾ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Flushing
Capital Assets Used in the Operation of Governmental Funds ⁽¹⁾
Schedule by Function and Activity
June 30, 2004

<u>Function and Activity</u>	<u>Land, Buildings, and Improvements</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>
Non-Depreciable			
Land	\$ 834,976	\$ -	\$ -
Right-of-Way	-	-	4,946,186
Total non-depreciable	834,976	-	4,946,186
General government:			
City manager	-	6,101	-
City assessor	-	19,031	-
City hall	-	37,309	-
General administration services	162,652	45,955	-
Cemetery	66,563	20,089	-
Total general government	229,215	128,485	-
Public works and streets	121,702	56,043	-
Public safety:			
Police	344,077	113,938	-
Fire	63,639	516,393	-
Total public safety	407,716	630,331	-
Highways and Streets:			
Storms/Sewers	-	-	4,466,688
Streets	-	-	8,630,344
Total highways and streets	-	-	13,097,032
Recreation:			
Parks and grounds	708,859	48,417	-
Senior center	334,145	19,918	-
Total recreation	1,043,004	68,335	-
Social and cultural	300,249	-	-
Total governmental funds capital assets	\$ 2,936,862	\$ 883,194	\$ 18,043,218

⁽¹⁾ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Construction In Progress		Total
\$	-	\$ 834,976
	-	4,946,186
	-	5,781,162
	-	6,101
	-	19,031
	810,949	848,258
	-	208,607
	-	86,652
	810,949	1,168,649
	-	177,745
	-	458,015
	-	580,032
	-	1,038,047
	-	4,466,688
	-	8,630,344
	-	13,097,032
	-	757,276
	-	354,063
	-	1,111,339
	-	300,249
\$	810,949	\$ 22,674,223

City of Flushing
Capital Assets Used in the Operation of Governmental Funds ⁽¹⁾
Schedule of Changes by Function and Activity
Year Ended June 30, 2004

<u>Function and Activity</u>	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	July 1, 2003	Additions	Deletions	June 30, 2004
Land	\$ 834,976	\$ -	\$ -	\$ 834,976
Total land	834,976	-	-	834,976
General government:				
City manager	4,450	1,651	-	6,101
City assessor	19,031	-	-	19,031
City hall	37,309	810,949	-	848,258
General administration services	208,607	-	-	208,607
Cemetery	86,652	-	-	86,652
Total general government	356,049	812,600	-	1,168,649
Public works				
General	177,745	-	-	177,745
Streets	13,124,641	451,889	-	13,576,530
Storm drains	4,466,688	-	-	4,466,688
	17,769,074	451,889	-	18,220,963
Public safety:				
Police	458,015	-	-	458,015
Fire	580,032	-	-	580,032
Total public safety	1,038,047	-	-	1,038,047
Recreation:				
Parks and grounds	632,276	125,000	-	757,276
Senior center	354,063	-	-	354,063
Total recreation	986,339	125,000	-	1,111,339
Social and cultural	300,249	-	-	300,249
Total governmental funds capital assets	\$ 21,284,734	\$ 1,389,489	\$ - 0 -	\$ 22,674,223

⁽¹⁾ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included as governmental activities in the statement of net assets.

Statistical Section

Table 1

City of Flushing
General Governmental Expenditures by Function
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works and Streets</u>	<u>Recreation</u>	<u>Social and Cultural</u>	<u>Planning and Other</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1995	\$649,632	\$ 881,763	\$ 989,025	\$151,411	\$ 45,785	\$ 3,910	\$ 251,158	\$306,962	\$3,279,646 ⁽¹⁾
1996	661,803	897,027	1,142,132	136,791	28,995	52,729	211,092	298,577	3,429,146 ⁽¹⁾
1997	773,739	930,926	1,104,520	190,437	32,623	19,190	474,336	280,907	3,806,678 ⁽¹⁾
1998	762,274	1,067,143	1,401,905	201,886	41,837	52,635	470,745	274,993	4,273,418 ⁽¹⁾
1999	773,716	1,145,671	1,175,807	248,558	33,899	94,473	1,239,595	149,160	4,860,879 ⁽¹⁾
2000	935,243	1,222,673	1,116,312	218,327	33,526	12,743	747,202	154,100	4,440,126 ⁽¹⁾
2001	861,110	1,217,652	1,624,652	267,945	32,722	19,487	675,351	109,275	4,808,194 ⁽¹⁾
2002	919,829	1,311,321	1,417,330	237,183	33,679	12,759	954,205	331,394	5,217,700 ⁽¹⁾
2003	913,982	1,386,608	1,462,022	204,653	30,599	14,348	698,609	13,020	4,723,841 ⁽¹⁾
2004	968,804	1,357,308	1,167,088	298,842	28,823	7,706	1,262,837	68,383	5,159,791 ⁽²⁾

Notes:

- (1) Includes General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Funds.
- (2) Includes General, Special Revenue, Debt Service, and Capital Projects. The Expendable Trust Funds were closed as of July 1, 2003.

Table 2

City of Flushing
General Governmental Revenues by Source
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter- Governmental</u>	<u>Charges for Services</u>	<u>Fines and Fees</u>	<u>Administrative Services</u>	<u>Interest and Other</u>	<u>Total</u>
1995	\$1,339,699	\$ 21,633	\$1,095,313	\$673,150	\$ 16,362	\$110,000	\$131,388	\$3,387,545 ⁽¹⁾
1996	1,392,024	31,310	1,172,849	725,622	15,948	110,000	146,732	3,594,485 ⁽¹⁾
1997	1,671,608	27,147	1,295,788	731,334	13,111	110,000	158,454	4,007,442 ⁽¹⁾
1998	1,772,421	45,076	1,606,689	759,261	14,577	110,000	143,405	4,451,429 ⁽¹⁾
1999	1,876,777	30,977	2,073,361	796,920	16,553	110,000	158,623	5,063,211 ⁽¹⁾
2000	1,915,699	56,189	1,593,797	775,005	15,119	110,000	193,591	4,659,400 ⁽¹⁾
2001	1,991,023	30,807	1,806,779	778,887	13,670	110,000	253,491	4,984,657 ⁽¹⁾
2002	2,108,424	28,612	1,444,247	819,847	16,274	110,000	182,486	4,709,890 ⁽¹⁾
2003	2,101,573	55,132	1,481,947	835,027	19,631	110,000	186,385	4,789,695 ⁽¹⁾
2004	2,057,024	2,261	1,382,998	874,908	18,499	110,000	518,051	4,963,741 ⁽²⁾

Notes:

- (1) Includes General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Funds.
- (2) Includes General, Special Revenue, Debt Service, and Capital Projects. The Expendable Trust Funds were closed as of July 1, 2003.

City of Flushing
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>General</u>	<u>Debt</u>	<u>Capital Improvement</u>	<u>Total Tax Levy</u>	<u>Total Tax Collections</u>	<u>Percent Collected ⁽¹⁾</u>
1995	\$ 926,302	\$198,437	\$210,527	\$1,335,266	\$1,333,551	99.8%
1996	963,796	206,481	219,049	1,389,326	1,388,886	99.9
1997	973,727	139,064	499,435	1,612,226	1,609,456	99.8
1998	1,029,749	147,065	528,169	1,704,983	1,704,983	100.0
1999	1,093,500	156,170	560,868	1,810,538	1,810,538	100.0
2000	1,160,334	82,865	595,148	1,838,347	1,838,347	100.0
2001	1,205,035	86,043	618,066	1,909,144	1,909,144	100.0
2002	1,273,315	90,920	653,089	2,017,324	2,017,324	100.0
2003	1,333,036	-	683,720	2,016,756	2,016,756	100.0
2004	1,379,662	-	609,114	1,988,776	1,988,776	100.0

Note:

- (1) Genesee County pays the City of Flushing the full amount of the delinquent real property taxes upon settlement in June of each year.

City of Flushing
Assessed and Equalized/Taxable Value of Property
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ending June 30,	Real Property		Personal Property		Total	
	Assessed Value	Equalized/Taxable Value	Assessed Value	Equalized/Taxable Value	Assessed Value	Equalized/Taxable Value
1995	\$127,630,150	\$127,630,150	\$4,671,630	\$4,671,630	\$132,301,780	\$132,301,780
1996	132,775,710	132,663,390 ⁽³⁾	4,892,550	4,892,550	137,668,260	137,555,940
1997	144,715,410	139,064,170	5,320,425	5,320,425	150,035,835	144,384,595
1998	155,886,120	146,992,780	5,647,850	5,647,850	161,533,970	152,640,630
1999	170,781,220	156,169,640	5,427,600	5,427,600	176,208,820	161,597,240
2000	185,072,515	165,673,404	6,707,270	6,707,270	191,779,785	172,380,674
2001	193,532,822	172,164,420	7,316,250	7,316,250	200,849,072	179,480,670
2002	201,878,897	181,853,010	7,491,250	7,491,250	209,370,147	189,344,260
2003	216,021,020	190,381,652	7,447,600	7,447,600	223,468,620	197,829,252
2004	229,329,429	197,040,532	6,203,900	6,203,900	235,533,329	203,244,432

Notes:

- (1) Information taken from Genesee County Equalization Reports.
- (2) Ad valorem tax only, therefore, excludes commercial facilities taxes as provided under Public Act 255.
- (3) Beginning in 1994, taxable value, as computed under state law, was value on which ad valorem taxes were levied.

Table 5

City of Flushing
Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 of Assessed Value)
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	City of Flushing			Totals	Flushing Community Schools	State Education Tax	Mott Community College	Intermediate Schools	Bishop Airport	Mass Trans- portation Authority	Genesee County	Total
	General	Debt	Capital Projects									
1995	7.0020	1.5000	1.5914	10.0934	18.6340	6.0000	1.8745	3.6032	0.4925	-	7.2693	47.9669
1996	7.0020	1.5000	1.5914	10.0934	18.6340	6.0000	1.8745	3.6032	0.4925	-	7.2693	47.9669
1997	7.0020	1.0000	3.5914	11.5934	18.7122	6.0000	1.8745	3.6032	0.4925	0.4000	7.2693	49.9451
1998	7.0020	1.0000	3.5914	11.5934	18.7103	6.0000	1.8745	3.6032	0.4925	0.4000	7.3693	50.0432
1999	7.0020	1.0000	3.5914	11.5934	18.7042	6.0000	1.8745	3.6032	0.4925	0.4000	7.3693	50.0371
2000	7.0020	0.5000	3.5914	11.0934	18.7006	6.0000	1.8694	3.5894	0.4910	0.3988	7.3447	49.4873
2001	7.0020	0.5000	3.5914	11.0934	18.6928	6.0000	1.8694	3.5894	0.4910	0.3988	7.3373	49.4721
2002	7.0020	0.5000	3.5914	11.0934	18.7500	6.0000	2.8672	3.5835	0.4906	0.3996	7.3285	50.5128
2003	7.0020	-	3.5914	10.5934	18.7450	6.0000	2.8280	3.5673	0.4886	0.3980	7.2965	49.9168
2004	7.0020	-	3.0914	10.0934	20.7639	5.0000	2.7464	3.5469	0.4861	0.3959	7.2553	50.2879

City of Flushing
Principal Ad Valorem Taxpayers
June 30, 2004
(Unaudited)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2003 Assessed Valuation</u>	<u>Percent of Total Assessed Value</u>
Consumers Energy	Utility	\$ 3,153,400	1.34%
Health Care and Retirement Corp.	Nursing Home	2,347,700	0.99
Flushing Assoc. Limited	Apartments	1,928,100	0.82
Flushing Valley Golf Club	Recreational Facility	1,472,700	0.63
Somerset Quadrangle	Apartments	1,428,200	0.61
Easton Square	Retail	1,290,500	0.55
Kessel	Retail - Grocery	1,237,600	0.53
Bueche's Food World	Retail - Grocery	1,108,100	0.47
Delehanty Pontiac	Car Dealership	1,065,300	0.45
Prestige Chevrolet	Car Dealership	895,600	0.38
	Totals	<u>\$15,927,200</u>	<u>6.77%</u>

City of Flushing
Computation of Legal Debt Margin
June 30, 2004
(Unaudited)

Total state equalized valuation	<u>\$235,533,329</u>
Debt limited - 10 percent of total state equalized valuation	\$23,553,333
Amount of debt applicable to debt limit ⁽¹⁾	<u>(30,000)</u>
Unused legal debt margin	<u>\$23,523,333</u>

Note:

- (1) The Installment Purchase Obligation and Land Contract reported as long-term liabilities for governmental activities and all debt recorded in the Water and Sewer Enterprise Funds are not subject to the debt limitation.

Table 8

City of Flushing
Ratio of Net General Bonded Debt to Assessed
Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal</u> <u>Year</u>	<u>Population</u>	<u>Equalized/</u> <u>Taxable</u> <u>Value</u>	<u>Gross</u> <u>Bonded</u> <u>Debt</u>	<u>Debt</u> <u>Service</u> <u>Funds</u> <u>Available</u>	<u>Debt</u> <u>Payable</u> <u>from</u> <u>Proprietary</u> <u>Funds</u>	<u>Net</u> <u>General</u> <u>Bonded</u> <u>Debt</u>	<u>Ratio of</u> <u>Net Bonded</u> <u>Debt to</u> <u>Equalized/</u> <u>Taxable</u> <u>Value</u>	<u>Net</u> <u>Bonded</u> <u>Debt Per</u> <u>Capita</u>
1995	8,542	\$132,301,780	\$3,275,245	\$228,667	\$1,981,770	\$1,064,808	0.80%	\$124.65
1996	8,542	137,555,940	2,910,998	175,874	1,829,685	905,439	0.65	105.99
1997	8,542	144,384,595	2,543,975	140,622	1,672,600	730,753	0.51	85.54
1998	8,542	152,640,630	2,195,337	116,616	1,541,950	536,771	0.35	62.83
1999	8,542	161,597,240	3,099,893	203,223	2,549,859	346,811	0.21	40.60
2000	8,542	172,380,674	3,559,981	215,481	3,126,981	217,519	0.13	25.46
2001	8,348	179,480,670	3,193,768	233,079	2,840,768	119,921	0.07	14.37
2002	8,348	189,344,260	2,690,000	21,464	2,645,000	23,536	0.01	2.82
2003	8,348	197,829,252	2,475,000	8,562	2,440,000	26,438	0.00	3.17
2004	8,348	203,244,432	3,428,000	1,007	2,220,000	1,206,993	0.59	144.58

Table 9

City of Flushing
Ratio of Annual Debt Service Expenditures for General Obligation
Bonded Debt to Total General Governmental Expenditures
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Fees and Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio</u>
1995	\$204,624	\$102,338	\$306,962	\$3,279,646 ⁽¹⁾	9.4
1996	212,162	86,415	298,577	3,429,146 ⁽¹⁾	8.7
1997	209,938	70,969	280,907	3,806,678 ⁽¹⁾	7.4
1998	217,988	57,005	274,993	4,273,418 ⁽¹⁾	6.4
1999	103,353	45,807	149,160	4,860,879 ⁽¹⁾	3.1
2000	117,034	37,066	154,100	4,440,126 ⁽¹⁾	3.5
2001	80,000	29,275	109,275	4,808,194 ⁽¹⁾	2.3
2002	308,000	23,394	331,394	5,217,700 ⁽¹⁾	6.4
2003	10,000	3,020	13,020	4,723,841 ⁽¹⁾	0.0
2004	42,000	26,383	68,383	4,963,741 ⁽²⁾	1.4

Note:

- (1) Includes General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Funds.
- (2) Includes General, Special Revenue, Debt Service, and Capital Projects. The Expendable Trust Funds were closed as of July 1, 2003.

City of Flushing
Computation of Direct and Overlapping Bonded Debt
June 30, 2004
(Unaudited)

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Flushing</u>	<u>Amount Applicable to City of Flushing</u>
Direct:			
City of Flushing	<u>\$ 3,428,000</u>	100.0%	<u>\$ 3,428,000</u>
Overlapping:			
Mott Community College	68,110,357	2.4	1,634,649
Genesee County	124,870,930	2.4	2,996,902
Flushing School District	<u>26,859,448</u>	35.3	<u>9,481,385</u>
Total overlapping	<u>219,840,735</u>		<u>14,112,936</u>
Totals	<u>\$223,268,735</u>		<u>\$17,540,936</u>

Note: The obligations represent bonded debt where an unlimited tax full faith and credit pledge of the governmental unit is made as security for payment of the associated principal and interest on the bonds.

City of Flushing
Special Assessment Collections
Last Ten Fiscal Years
(Unaudited)

<u>Tax Roll Year</u>	<u>Current Assessments Levied</u>	<u>Current Levies Collected</u>	<u>Ratio of Collections To Amount Due⁽¹⁾</u>	<u>Total Outstanding Assessments⁽²⁾</u>
1995	\$ 13,566	\$ 13,566	100%	\$125,923
1996	21,383	21,383	100	918 ⁽³⁾
1997	918	918	100	- ⁽³⁾
1998	445	445	100	- ⁽³⁾
1999	-	-	-	- ⁽³⁾
2000	-	-	-	- ⁽³⁾
2001	-	-	-	- ⁽³⁾
2002	-	-	-	- ⁽³⁾
2003	-	-	-	- ⁽³⁾
2004	-	-	-	- ⁽³⁾

Notes:

- (1) Special assessments are levied as part of the taxpayer's annual property tax billing on July 1, each year. Billings which become delinquent (i.e., real property taxes including special assessments) are paid in full by the Genesee County Delinquent Tax Revolving Fund. As a result, all current special assessment levies, are shown above as being 100% collected.
- (2) Includes current and deferred portions.
- (3) The City forgave all street paving special assessments in conjunction with a new street improvement tax levy.

City of Flushing
Miscellaneous Information
June 30, 2004
(Unaudited)

Date of Incorporation	1964	
Form of Government	Council - Manager	
Area		4.0 Square Miles
Miles of Street:	Bituminous	37.46
	Unpaved	<u>0.20</u>
		<u>37.66</u>
Number of Street Lights		703
Fire Protection:	Number of Stations	1
	Number of Volunteer Firemen and Officers	27
Police Protection:	Number of Stations	1
	Number of Policemen and Officers	21
	Patrol Vehicle Units	8
Municipal Water Department:	Number of Customers	3,764
	Average Daily Pumpage	733,245 Gallons
	Miles of Water Mains	45.2
Sewers:	Miles of Sanitary Sewer	48.7
	Miles of Storm Sewer	24.6
Building Permits Issued		81
Recreation and Culture:	Number of Parks	7 with 35 acres
	Number of Libraries	1
	Number of Volumes:	
	Non-fiction	13,289
	Fiction	16,178
	Reference	2,047
	Video Cassettes	550
	Audio Cassettes	<u>675</u>
		<u>32,739</u>
	Library Circulation	94,266
Employees:	Full-Time	31
	Part-Time	69
Elections:	Registered Voters	6,398
	Percentage of Registered Voters Voting in General Election	61%
Population:	1960	6,023
	1970	7,190
	1980	8,624
	1990 (Source: Bureau of the Census)	8,542
	2000 (Source: Bureau of the Census)	8,348

City of Flushing
Construction, Property Value, and Bank Deposits
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Non-residential Construction		Number of Units	Residential Construction		Bank Deposits ⁽¹⁾	Property Value ⁽²⁾			
	Number of Units	Value		Value	Commercial		Industrial	Residential	Total	
1995	10	\$ 62,760	214	\$3,813,623	\$2,731,183,000	\$17,245,540	\$347,530	\$115,029,620	\$132,622,690	
1996	15	1,464,273	147	4,801,617	2,867,075,000	17,207,570	351,180	121,439,580	138,998,330	
1997	30	676,432	130	5,092,745	2,906,401,000	17,469,500	356,410	129,166,870	146,992,780	
1998	23	4,467,174	156	5,669,955	3,001,860,000	18,319,950	395,280	137,355,510	156,070,740	
1999	19	1,004,275	162	4,526,543	3,004,523,000	18,918,070	411,000	151,452,150	170,781,220	
2000	14	3,616,400	166	6,444,365	3,026,496,000	21,662,655	401,400	163,008,460	185,072,515	
2001	12	1,074,250	82	3,007,755	3,643,612,000	22,490,751	411,925	170,630,146	193,532,822	
2002	8	248,700	87	4,869,785	3,634,128,000	23,647,200	510,565	177,721,132	201,878,897	
2003	12	3,232,107	76	3,900,434	3,522,542,000	25,558,100	757,900	189,705,020	216,021,020	
2004	15	5,285,902	66	2,073,323	3,710,109,000	26,070,334	761,900	202,497,195	229,329,429	

Notes:

(1) F.D.I.C. Commercial Bank Deposits, Genesee County, Michigan

(2) Valuations at State Equalized Values (S.E.V.)

December 3, 2004

To the City Council
City of Flushing

We have audited the financial statements of City of Flushing (the City) for the year ended June 30, 2004, and have issued our report thereon dated August 20, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of City of Flushing. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of Flushing are described in Note 1 to the financial statements. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The useful lives and the depreciation of capital fixed assets and the assumptions related to the actuarial valuation of the defined benefit pension plan are significant estimates that affects the financial statements.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the City that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. No significant adjustments were made to the accounting records during the 2004 audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreement arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

During the audit, we became aware of certain matters that are opportunities for strengthening internal controls. Our comments and suggestions are summarized below regarding these matters. These comments do not affect our report dated August 20, 2004, or the financial statements of the City.

Pool Cash Receipting Procedures

Cash is collected at the city pool daily during the summer for the purchase of daily and annual passes and swimming lessons. The employees managing the pool do not prepare cash receipts documentation that can be reconciled to the cash collected. We would recommend that as pool employees collect fees, that a cash receipt

To the City Council
City of Flushing
December 3, 2004
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form is prepared detailing the amount of the receipt and the purpose for which it was received. This would provide additional controls over the cash receipts and provide a written record that could be reconciled to the cash received when brought to City Hall.

This information is intended solely for the use of the City Council and management of City of Flushing and should not be used for any other purpose.

BKR Dupuis & Ryder

Certified Public Accountants
Flint Office